

Resources Agency
SEA GRANT PROGRAM

Item 3110-001 from the General

Fund	Budget p. R 1
Requested 1984-85	\$500,000
Estimated 1983-84.....	350,000
Actual 1982-83	392,000
Requested increase (excluding amount for salary increases) \$150,000 (+42.9 percent)	
Total recommended reduction	None

GENERAL PROGRAM STATEMENT

The National Sea Grant College Program Act of 1966 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 research projects. The remaining one-third must be provided from nonfederal funds.

Chapter 1311, Statutes of 1983, continues for fiscal years 1984-85 through 1988-89 the allocation of \$500,000 annually from state tidelands oil revenues to the Resources Agency for distribution to higher education institutions. Prior law terminated these allocations after 1983-84. Most of these funds are used to provide a portion of the one-third match required by the federal government for sea grant projects. A portion of these funds also provides administrative staff for Sea Grant programs at the University of California and the University of Southern California.

The Resources Secretary must approve all sea grant projects financed from this appropriation. The projects are selected by an advisory panel that represents state departments, higher education, private industry, and the Legislature. The projects selected for state support must offer a clearly defined benefit to the people of California. Participants in the program include the University of California, the California State University, Stanford University, the University of Southern California, and the California Institute of Technology.

ANALYSIS AND RECOMMENDATIONS*We recommend approval.*

The budget proposes a General Fund appropriation of \$500,000 (in lieu of an equal amount of tidelands oil revenues) to continue support for the Sea Grant program in 1984-85. This is an increase of \$150,000, or 43 percent, over the current-year amount. If the request for 1984-85 is approved, it would be the first time the Sea Grant program has received its full statutory allocation since 1980-81.

According to sea grant staff at the University of California, the additional \$150,000 will be used to (1) restore one marine advisory position that has not been funded since July 1982, (2) add a marine economics specialist, and (3) give more emphasis to state needs in selecting marine research projects. The proposed \$500,000 appropriation is consistent with the statutory allocation recently approved by the Legislature in Ch. 1311/83.

**Resources Agency
TAHOE REGIONAL PLANNING AGENCY**

Items 3110-101 from the General Fund and Environmental License Plate Fund

Budget p. R 1

Requested 1984-85	\$718,000
Estimated 1983-84.....	300,000
Actual 1982-83	300,000
Requested increase (excluding amount for salary increases) \$418,000 (+139 percent)	
Total recommended reduction	100,000
Recommendation pending	270,000

1984-85 FUNDING BY ITEM AND SOURCE

Item	Description	Fund	Amount
3110-001-001—Support (Local Assistance)		General	\$348,000
3110-101-140—Soils Mapping Instream Flow Standards		Environmental License Plate Fund	370,000
Total			<u>\$718,000</u>

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

Analysis page

1. Land Capability System Update. Withhold recommendation on \$270,000 requested for soil mapping needed to update TRPA land classification system, pending final adoption of a new regional plan and receipt of additional information. 530
2. *In-Stream Water Standards. Reduce Item 3110-101-140 by \$100,000.* Recommend reduction to delete funds for establishing in-stream flow standards for tributaries to Lake Tahoe because TRPA lacks authority to regulate diversions or water rights. 531

GENERAL PROGRAM STATEMENT

The Tahoe Regional Planning Agency (TRPA) was established by an interstate compact approved by the California Legislature (Ch 1589/67), the Nevada Legislature, and the United States Congress. The purpose of the compact is to provide a coordinated land-use plan and enforceable regulations to preserve and enhance the environment and resources of the 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 required TRPA to adopt a new regional plan and implementing ordinances by June 1983. As of mid-February 1984, the TRPA governing board had not yet adopted this new plan.

OVERVIEW OF THE BUDGET REQUEST

Direct Appropriations. The budget proposes appropriations totaling \$718,000 from the General Fund (\$348,000) and the Environmental License Plate Fund (\$370,000) as the state's share of support for the TRPA in 1984-85. This is an increase of \$418,000, or 139 percent, over the level of support in the current-year, which is financed entirely from the Environmental License Plate Fund (ELPF).

The proposed increase in California's support for TRPA consists of the following components:

- \$270,000 from the ELPF to finance the first year of a two-year project to prepare updated soils maps of the Tahoe Basin.
- \$100,000 from the ELPF to support development of instream water flow standards for basin streams and creeks.
- \$48,000 in additional support for ongoing agency operations.

The budget request represents the first increase in state funding for TRPA proposed in three years. Since 1981-82, California's support of TRPA operations has remained fixed at the \$300,000 level.

Total Expenditures. In addition to the direct appropriation for TRPA's support, the agency receives significant funds from other sources. Total expenditures planned by the agency for 1984-85 are \$1,903,000, an increase of \$558,000, or 4.1 percent, compared with current-year estimated expenditures of \$1,345,000.

Table 1
Tahoe Regional Planning Agency
Comparison of Funding Sources
1983-84 and 1984-85

	<i>Estimated</i> <i>1983-84</i>	<i>Proposed</i> <i>1984-85</i>
1. Revenues		
a. Local government contribution ^a	\$150,000	\$150,000
b. California ^b	300,000	348,000
c. Nevada	150,000	174,000
d. Investment income	25,000	25,000
e. California special projects	—	370,000
f. Nevada special projects	—	185,000
g. Filing fee income	175,000	175,000
h. Prior-year carryover to be used in 1984-85	—	129,000
2. Grants/Contracts		
a. Resources Agency contract (administration of CTRPA ^c permits and mitigation funds)	235,000	—
b. State Water Resources Control Board	100,000	100,000
c. City of South Lake Tahoe	—	15,000
d. Caltrans—contract services	175,000	146,000
e. Administration of California Transportation Development Act Funds (Caltrans)	—	16,000
f. EPA grants (air quality)	35,000	70,000
Totals	<u>\$1,345,000</u>	<u>\$1,903,000</u>

^a The four counties and two cities in the Tahoe Basin.

^b California and Nevada contribute two-thirds and one-third, respectively, of TRPA's basic support costs.

^c California Tahoe Regional Planning Agency, which is scheduled to terminate during 1983-84.

TAHOE REGIONAL PLANNING AGENCY—Continued**ANALYSIS AND RECOMMENDATIONS**

Table 1 shows the amounts and various types of funds TRPA (1) expects to receive in the current fiscal year and (2) has requested for 1984-85. In the budget year, TRPA expects to receive an additional \$100,000 from the Lahontan Regional Water Quality Control Board to continue environmental enforcement activities on the California side of the lake. The TRPA's budget also indicates that (1) Caltrans will be providing a total of \$162,000 for transportation planning and other contract services and (2) the EPA will be allocating \$70,000 for research on air quality. Approximately \$175,000 in filing fee income is expected from permit applications.

Updated Soil Maps May Not Be Needed

We withhold recommendation on \$270,000 requested for soils mapping and updating the TRPA's land classification system pending (1) final adoption of a regional plan and implementing ordinances by the agency and (2) receipt of information concerning how soil maps will be used under this new plan and how the plan will be financed during 1984-85.

The budget proposes an appropriation of \$270,000 from the Environmental License Plate Fund (ELPF) to finance a one-year contract with the U.S. Soil Conservation Service (SCS). Under this contract, the SCS would prepare soil maps for eventual use in updating TRPA's land capability classification system. The funds requested for the contract would finance field work by SCS during 1984-85 which would seek to verify and correct U.S. Department of Agriculture (USDA) Soil Survey maps covering developed portions of the Tahoe Basin originally published in 1972. Once completed, the soils information will be used by TRPA in 1985-86 to update an existing computer data base covering private lands in the region. The cost of the second phase of the project is unknown.

Bailey System. TRPA indicates that updated soils information is needed for this data base in order to facilitate a determination of where and how much development can be tolerated without resulting in permanent erosion damage on lands throughout the Tahoe Basin. The data base is known as the land capability classification, or "Bailey", system, and classifies basin lands according to seven capability levels. Utilizing these standards, existing TRPA land-use regulations in effect throughout 1983 generally prohibited development (1) on high-erosion-hazard lands and (2) within stream environment zones (SEZs), both of which are defined as land classes 1, 2, and 3 under the Bailey system. Land in classes 4 through 7 is not similarly restricted and may be developed subject to other limitations pertaining to building coverage, commercial-versus-residential construction, new subdivisions, and availability of public utilities. In the basin it is estimated that up to 9,000 lots out of a total of 15,000 vacant and undeveloped parcels are in land capability classes 1-3.

The TRPA staff have advised us that the 1972 USDA soils maps used as part of the Bailey system need to be field checked and revised in order to eliminate errors that have become apparent to the agency in processing applications for construction permits and inspecting field sites. Under current TRPA land-use policies, misclassification of a parcel as "environmentally sensitive" or within a SEZ can significantly affect the value of the property due to the prohibition or limitations on building in such areas. Reciprocally, misclassification of parcels in classes 4-7 lots could allow

construction to occur in inappropriate locations within the basin.

The TRPA, however, has not provided any data on the incidence of significant misclassifications.

Change in Land-Use Policies Pending. The draft regional plan pending before the TRPA's governing board in mid-February 1984 would significantly reduce the importance of the Bailey land capability classification system in TRPA land-use decisions. This is because the plan proposes to (1) repeal the existing prohibition on developing lots in environmentally sensitive areas and SEZ's and (2) allow up to 100 building permits to be issued annually for such lots over a three-year period. The new plan would allow the TRPA to issue permits for these lots, as well as for less sensitive lots (classes 4-7), according to a matrix or "point" system wherein a parcel's land capability classification would be only one of several factors considered.

Plan Adoption Five Months Behind Schedule. At the time this analysis was prepared, the status of this new regulatory proposal was uncertain. This is because (1) the TRPA governing board was six months late in meeting the statutory deadline for adopting a new plan and (2) TRPA staff had not yet developed a program for administering or financing the cost of such a permit system.

If the TRPA adopts the plan currently before it or a similar one that significantly diminishes the role of the Bailey system in future permit decisions, this mapping project, in our judgment, may not be needed. It is possible that, instead, these maps could be revised on a case-by-case basis as permit applications are submitted and individual project sites are evaluated using the new matrix point system. Moreover, we believe that the cost of conducting the field verification of a parcel's soil type and characteristics could be financed through a schedule of permit fees. This would reduce the need for state funding to complete the project.

Accordingly, we defer recommendation on the soil mapping program pending (1) adoption of a new regional plan and (2) receipt of additional information on (a) the degree of error attributable to soils data used in the existing Bailey system, (b) how updated soils information will be utilized under the regional plan, and (c) how implementation of the plan, including permit review costs under the matrix system, will be financed.

No Authority to Regulate Water Rights or Stream Diversions

We recommend a reduction of \$100,000 in Items 3110-101-140 requested to establish in-stream standards for all Lake Tahoe tributaries because the TRPA lacks effective authority to regulate water rights or diversions.

Collection of Stream Data Proposed. The budget requests \$100,000 from the Environmental License Plate Fund (ELPF) for the TRPA to establish in-stream flow standards for tributary streams to Lake Tahoe. The money would be used to finance field work and data collection by either the U.S. Forest Service or the California Department of Fish and Game (DFG) for six representative streams. From this field work, stream channel maps, lists of resident fish species, and hydrographs of seasonal flows will be prepared. Based on this information, the TRPA staff will develop in-stream flow standards for a total of 65 creeks and rivers in the Tahoe Basin, using a computer model designed by the U.S. Fish and Wildlife Service.

The TRPA indicates that these standards are required to meet environmental thresholds adopted by the governing board in August 1982. The fisheries component of the thresholds includes a nondegradation policy

TAHOE REGIONAL PLANNING AGENCY—Continued

for all existing stream flows until specific standards can be established for all waterways in the basin. Once standards are established, TRPA indicates it will be able to determine the need to (1) relocate the site of existing diversions from streams to the lake itself and (2) limit or discourage new or increased diversions and improvements.

Existing System of Regulating Water Rights at Tahoe. Under existing California statutes, responsibility for administering riparian and appropriative water rights rests with the State Water Resources Control Board (SWRCB). Similar authority generally is exercised in Nevada by the State Engineer. The existing Tahoe Regional Planning Compact provides no authority to TRPA to regulate either the allocation, distribution, or storage of water, or to modify any appropriative water right.

Under the circumstances, adoption of in-stream standards by the TRPA has no clear purpose and would create confusion. The Department of Fish and Game (DFG) already administers its own in-stream flow analysis program, which was established in 1981-82 and currently is financed through the ELPF. Funds to continue the DFG program have been requested in the 1984-85 budget. Data developed by this existing DFG program is used by the SWRCB as a basis for conditioning or limiting permits sought for appropriative water rights, impoundments, and diversions.

Consequently, establishment of in-stream flow standards by the TRPA is not needed, and we recommend that the \$100,000 be deleted from Item 3110-101-140.

**STATE ASSISTANCE FUND FOR ENERGY, CALIFORNIA
BUSINESS AND INDUSTRIAL DEVELOPMENT CORPORATION**

Item 3300 from the State Energy Loan Fund, General Fund

Budget p. R 14

Requested 1984-85	\$650,000
Estimated 1983-84	742,000
Actual 1982-83	1,545,000
Requested decrease \$92,000 (-12.4 percent)	
Total recommended reduction	None

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

*Analysis
page*

1. Energy Resources Programs Account (ERPA). Recommend that the SAFEIDCO and the Department of Finance report at budget hearings on the corporation's progress toward reaching the \$5,000,000 loan threshold that must be reached before it may borrow funds originating from the ERPA.

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GENERAL PROGRAM STATEMENT

The State Assistance Fund for Energy, Business and Industrial Development Corporation (SAFEIDCO) was created by Chapter 819/80. The SAFEIDCO is not a state agency. Rather, it is a nonprofit corporation that makes loans to small businesses involved in alternative energy production or energy conservation. The corporation has a nine-member board of directors that consists of the Secretary of the Business, Transport-

tation, and Housing Agency, the State Controller, a member of the Energy Commission, the President of the Corporation, one member appointed by the Senate Rules Committee, one member appointed by the Speaker of the Assembly, and three members appointed by the Governor.

The corporation makes loans that leverage state money. It does this by obtaining federal Small Business Administration (SBA) guarantees for up to 90 percent of each loan it makes, and then selling the guaranteed portion of the loan to investors. It uses the proceeds to make additional loans. As a result, the total amount of SAFEBCO loans outstanding can grow to as much as 10 times the original amount of state funds provided to the corporation.

The primary sources of funds used to finance the corporation's operating expenses are (1) the difference between the higher interest rate charged by the corporation to loan recipients and the 6 percent interest rate paid by the corporation to the state on its outstanding indebtedness and (2) the premiums paid to the corporation by investors for the portion of the loans guaranteed by the SBA. (Investors pay a premium for these loans because they earn more interest than other U.S. Government-backed securities, such as Treasury Bonds.)

OVERVIEW OF THE BUDGET REQUEST

The budget proposes an appropriation of \$650,000 from the State Energy Loan Fund (SELF) to SAFEBCO in 1984-85. This is the entire balance of funds available in SELF, as shown in the budget document, and consists of (1) \$250,000 in loan repayments from the corporation to SELF and (2) \$400,000 of the \$1,000,000 transferred to SELF from the Energy Resources Programs Account.

Chapter 819, Statutes of 1980, provided that funds in the SELF would be continuously appropriated for loans to SAFEBCO, so that the SELF could operate as a revolving loan fund. Loan repayments by the corporation to the state were to be available to the corporation for making additional loans to small businesses. Section 13340 of the Government Code, as amended by the 1983 Budget Act trailer bill (Ch 323/83), however, eliminates all continuous appropriations after June 30, 1984. The Budget Bill includes Item 3300-001-021 in order to provide the Controller with authority to make loans from the SELF to the corporation in 1984-85.

ANALYSIS AND RECOMMENDATIONS

Budget Program Does not Appear to be Realistic

We recommend that SAFEBCO and the Department of Finance report at budget hearings on the corporation's progress toward reaching the \$5,000,000 loan threshold that must be met before ERPA money can be loaned to it.

Chapter 819, Statutes of 1980, as amended by the 1983 Budget Act trailer bill, specifies that the Controller shall transfer up to \$1,500,000 from the General Fund and \$1,000,000 from the Energy Resources Programs Account (ERPA) to the SELF as a line of credit to meet loan requests made to the corporation. (The ERPA receives revenue from the state surcharge on electricity sales.) The statute prohibits the Controller from transferring any money from the ERPA to the SELF until the corporation has loaned at least \$5,000,000 to eligible small businesses.

The Controller transferred the full \$1,500,000 authorized from the General Fund to the SELF in 1982. As of December 23, 1983, the corporation had loaned a total of \$2,673,500 to small businesses. Because the corporation had not reached the \$5,000,000 loan threshold, however, the Controller had not transferred any of the \$1,000,000 from the ERPA to the SELF.

STATE ASSISTANCE FUND FOR ENERGY, CALIFORNIA BUSINESS AND INDUSTRIAL DEVELOPMENT CORPORATION—Continued

The budget assumes that during the current year, SAFEBCO will satisfy the \$5,000,000 loan requirement and receive \$600,000 of the \$1,000,000 of ERPA funds that have been transferred to the SELF. Our analysis indicates, however, that unless the corporation's loan activity increases dramatically during the remainder of 1983-84, the corporation will *not* reach the \$5,000,000 threshold prior to June 30, 1984. It is unlikely that any of the \$1,000,000 available from the ERPA will be transferred to the SELF in the current fiscal year.

Assuming that the corporation does not reach the \$5,000,000 loan threshold until 1984-85, the budget would allow the use of only \$400,000 of the \$1,000,000 in ERPA money. (The remaining \$250,000 of the corporation's proposed expenditures would be financed from loan repayments to the SELF.) In other words, the balance of the \$1,000,000 (\$600,000), which the budget indicates will be made available to the corporation in 1983-84, will be carried over into 1985-86 if the corporation does not reach the \$5,000,000 threshold by June 30, 1984.

So that the Legislature will have a better picture of when ERPA funds will be made available to the corporation, we recommend that SAFEBCO and the Department of Finance report to the fiscal subcommittees on the corporation's progress toward reaching the \$5,000,000 loan threshold.

CALIFORNIA ALTERNATIVE ENERGY SOURCE FINANCING AUTHORITY

Item 3310 from the Alternative
Energy Source Fund

Budget p. R 15

Requested 1984-85	\$128,000
Estimated 1983-84.....	123,000
Actual 1982-83	104,000
Requested increase (excluding amount for salary increases) \$5,000 (+4.1 percent)	
Total recommended reduction	128,000

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

Analysis
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1. *Failure to Comply with Legislative Directive. Delete Item 3310-001-731.* Recommend deletion of the requested \$128,000 from the Alternative Energy Source Fund, because the authority has not provided the Legislature with an analysis of its financial condition and a plan to ensure its solvency, as the Legislature directed.

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GENERAL PROGRAM STATEMENT

The California Alternative Energy Source Financing Authority was created by Ch 908/80 for the purpose of issuing up to \$200,000,000 of revenue bonds to finance alternative energy projects undertaken by private businesses. Interest earned on the bonds is exempt from state and federal income taxes, provided that the projects comply with various federal requirements. Alternative energy sources include geothermal, so-

lar, biomass, wind, cogeneration, and small hydroelectric projects, as well as energy conservation projects that will reduce the use of fossil and nuclear fuels.

The authority consists of five state officers: the State Treasurer, who is chairman, 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 two staff positions.

Chapter 908 appropriated to the authority \$200,000 from the Energy Resources Conservation and Development Special Account (ERCDSA) in the General Fund (which received its revenue from the surcharge on electricity sales) as a loan to cover the authority's initial start-up expenses. Ongoing support is provided from the Alternative Energy Source Fund (AESF), which derives its revenue from application and other fees paid to the authority by those businesses receiving funds from the authority.

OVERVIEW OF THE BUDGET REQUEST

The budget proposes an appropriation of \$128,000 from the Alternative Energy Source Fund for support of the authority in 1984-85. This is an increase of \$5,000, or 4.1 percent, over estimated current-year expenditures. The increase will grow by the amount of any salary or staff benefit increases approved for the budget year.

ANALYSIS AND RECOMMENDATIONS

The Authority Continues to Experience Financial Problems

During 1982-83, the authority's operating costs totaled \$104,000, or \$57,000 more than its revenue. Of the \$57,000 difference, \$44,000 was financed using the balance of the authority's start-up loan from the ERCDSA (\$25,000) and funds carried over from 1981-82 (\$19,000). The remaining deficit—\$13,000—was carried over into the current year.

Current-Year Deficit Possible. The budget estimates that in 1983-84, the authority's expenditures will be \$123,000 and its revenue will be \$160,000. Taking into account the \$13,000 carryover deficit, the budget projects that the authority will end the current year with a surplus of \$24,000.

Our analysis indicates that the budget estimates for the authority are unrealistic, and that the authority probably will end the current year with another deficit. Fees collected during the first six months of 1983-84 total \$49,000. If fee collections continue at this rate, the authority will end the year with a deficit of \$38,000.

Possible Deficit in Budget Year. The budget proposes total expenditures in the budget year of \$128,000, plus the cost of any salary and benefit increases, and estimates that fee revenue will be \$160,000. The authority, however, has not provided any information to support its estimate of fees. In light of the authority's record in projecting revenues to date, this estimate probably would mean that the authority would not have enough money to fund its proposed expenditures (excluding the cost of retiring any carryover deficit in the current year).

The authority indicates that its current financial problems may continue because (1) other methods of financing available to entities wishing to tap alternative energy sources may be more attractive than the authority's bonds, (2) federal law prohibits the authority from raising fee levels significantly (and pending federal legislation could require that the fees be lowered), and (3) pending federal legislation could eliminate the authority's ability to sell bonds.

CALIFORNIA ALTERNATIVE ENERGY SOURCE FINANCING AUTHORITY— Continued

The Authority Has Failed to Comply with a Legislative Directive

We recommend deletion of \$128,000 requested for the authority because the authority has not complied with a legislative directive to provide an analysis of its financial condition and a plan to ensure its solvency.

In our *Analysis of the 1983 Budget Bill*, we questioned whether the fees collected by the authority would be sufficient to cover its operating costs, as intended by the Legislature. In response, the Legislature adopted language in the *Supplemental Report to the 1983 Budget Act* that required the authority to reevaluate the amount of bonds it expected to sell and to formulate a more accurate financial plan. The Legislature also required the authority to determine the level of fees necessary to (1) cover operating costs, (2) establish a prudent reserve, and (3) repay the \$200,000 start-up loan over a reasonable time period. The authority was to adjust its fees based on the findings in its report.

As of January 1984, the authority had not complied with the Legislature's directive. Furthermore, the authority advised us that it had not made any plans to comply. In sum, the authority has faced, and probably will continue to face, serious difficulty in covering its operating costs from operating revenue.

Absent any indication that the authority intends to comply with the Legislature's directive, we recommend that the Legislature delete the full \$128,000 requested for 1984-85.

Resources Agency

CALIFORNIA CONSERVATION CORPS

Item 3340 from the General

Fund and special funds

Budget p. R 17

Requested 1984-85	\$30,156,000
Estimated 1983-84	28,619,000
Actual 1982-83	31,299,000
Requested increase (excluding amount for salary increases) \$1,537,000 (+5.4 percent)	
Total recommended reduction	797,000
Recommendation pending	(2,333,000) ^a

^a Reimbursements

1984-85 FUNDING BY ITEM AND SOURCE

Item	Description	Fund	Amount
3340-001-001—Support		General	\$20,412,000
3340-001-140—Support		Environmental License Plate	5,035,000
3340-001-465—Support		Energy Resources Programs Account, General	4,709,000
Total			\$30,156,000

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONSAnalysis
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1. Required User Charges. Withhold recommendation on \$2,333,000 in scheduled reimbursements to Item 3340-001-001 from user charges, pending clarification of the total amount likely to be available, the specific sources of the reimbursements, and the proposed use of the funds. 543
2. Training Academy. Recommend that the California Conservation Corps report prior to budget hearings on the effectiveness, utilization, and costs and benefits of the training academy. 545
3. *Corpsmember Salary Savings. Reduce Items 3340-001-001 by \$445,000, Item 3340-001-140 by \$110,000, and 3340-001-019 by \$102,000.* Recommend that an adjustment for corpsmember salary savings be incorporated and separately identified in future budgets. Further, recommend denial of the proposal to redirect to operating expenses \$657,000 in corpsmember salary savings because the operating expense increase has not been justified. 546
4. *Automation. Reduce Item 3340-001-001 by \$140,000.* Recommend deletion of funds for unidentified automation projects. 546

GENERAL PROGRAM STATEMENT

The California Conservation Corps (CCC) was established by Ch 342/76 and reauthorized by Ch 50/80 and Ch 1241/83 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 (\$580 per month) in 1984.

The corps' headquarters is in Sacramento. It currently operates 25 base centers, as well as a corpsmember training academy at Fricot City in Calaveras County. The budget for the current year provides funding for 1,766 corpsmembers plus 395.5 personnel-years of supervisory and administrative staff.

OVERVIEW OF THE BUDGET REQUEST

The budget proposes total appropriations of \$30,156,000 from the General Fund and various special funds for support of the CCC in 1984-85. This is an increase of \$1,537,000, or 5.4 percent, above estimated current-year expenditures. The increase will grow by the cost of any salary or staff benefit increases that may be approved for the budget year.

Total program expenditures, including expenditures from reimbursements, are projected at \$37,219,000 in 1984-85. This is an increase of \$166,000, or 0.4 percent, above estimated total expenditures in the current year.

Significant Budget Changes

The budget proposes no major changes in the *level* of expenditures by the corps. It does, however, propose major *redirections* of funds *within the corps' budget*, as well as shifts in funding sources. These changes will

CALIFORNIA CONSERVATION CORPS—Continued

increase the number of corpsmembers while reducing the number of centers and permanent staff. Table 1 summarizes the major components of the changes proposed for the CCC in the budget year.

Table 1
California Conservation Corps
Proposed Budget Changes
1984-85
(in thousands)

	General Fund	Energy Resources Programs Account	Energy and Resources Fund	Environ- mental License Plate Fund	Reim- burse- ments	Totals
1983-84 Expenditures (Revised)	\$15,973	\$4,609	\$500	\$7,537	\$8,434	\$37,053
A. Workload and Administrative Adjustments						
1. Full-year cost of 1983-84 salary increases	162	27	—	71	—	260
2. Fund shift	4,101	—	-500	-3,601	—	—
3. One-time 1983-84 cost for moving Del Norte center to Requa	-200	—	—	—	—	-200
4. One-time 1983-84 cost for Small Business Administration (federal jobs bill) grant	—	—	—	—	-504	-504
5. Miscellaneous adjustments (including merit salary adjustments and price increases)	376	73	—	161	—	610
B. Significant Program Changes						
1. Consolidation of 25 centers to 19 centers	-1,320	-304	—	-326	—	-1,950
a. Reduction in headquarters staff	(-217)	(-50)	—	(-54)	—	(-321)
b. Reduction in base center staff	(-1,103)	(-254)	—	(-272)	—	(-1,629)
2. Expansion of remaining 19 base centers	1,320	304	—	326	—	1,950
a. Increase of 181 corpsmembers	(923)	(213)	—	(228)	—	(1,364)
b. Increase in related base center staff	(397)	(91)	—	(98)	—	(586)
3. Reduce user charge requirement	—	—	—	867	-867	—
1984-85 Expenditures (Proposed)	\$20,412	\$4,709	—	\$5,035	\$7,063	\$37,219
Change from 1983-84	\$4,439	\$100	-\$500	-\$2,502	-\$1,371	\$166

Redirections

- \$1,950,000 (various funds) redirected from support of headquarters staff (\$321,000) and base center staff (\$1,629,000) to support for 181 new corpsmembers (\$1,364,000) and related base center staff (\$586,000).

Funding Shift

- Replace \$3,601,000 from the Environmental License Plate Fund and \$500,000 from the Energy and Resources Fund with \$4,101,000 from the General Fund.
- Replace \$867,000 in reimbursements from agencies that use CCC services with an equal amount from the Environmental License Plate Fund.

Increases

- \$260,000 (various funds) for the full-year cost of salary increases that became effective on January 1, 1984.
- \$610,000 (various funds) for miscellaneous adjustments, including merit salary adjustments and increases to offset the effects of inflation on operating expenses.

Decreases

- \$200,000 (General Fund) reflecting one-time costs in the current year to close Del Norte Fire Center and move corpsmembers to Requa in order to provide space at Del Norte to house inmates from the Department of Corrections.
- \$504,000 (reimbursements) reflecting a one-time federal Small Business Administration (federal jobs bill) grant in 1983-84.

ANALYSIS AND RECOMMENDATIONS**Major Shift Back to General Fund**

Traditionally, the major funding source for the CCC has been the General Fund. In the past few years, and particularly in 1983-84, however, a variety of other funding sources were relied upon to support the CCC. Thus, while the General Fund provided 96 percent of total direct state appropriations to the corps in 1981-82, it provided only 56 percent in the current year. The Energy Resources Programs Account (ERPA), Environmental License Plate Fund (ELPF) and Energy and Resources Fund (ERF) are providing the remainder. The shift in funding source was made to reduce demands on the General Fund, which was under intense pressure due to the recession.

The 1984-85 budget proposes to reestablish the traditional policy by shifting \$4.1 million in expenditures from the ELPF (\$3.6 million) and ERF (\$0.5 million) back to the General Fund. These two shifts are discussed below:

Energy and Resources Fund. Chapter 1241, Statutes of 1983 (SB 424), provided \$500,000 from the ERF and \$500,000 from the ELPF to continue operation of the Oat Mountain Base Center. (Funding for Oat Mountain had been vetoed from the 1983 Budget Act.) Statutory authority for the ERF terminates on June 30, 1984. The \$500,000 augmentation from the General Fund will replace the ERF support which was received in the current year but will not be available in 1984-85.

Environmental License Plate Fund. The 1983 Budget Act appropriated \$7,037,000 from the ELPF to the CCC for support of base and fire centers. Of this amount, \$6.0 million was added to free up an equal amount of General Fund support and assist in avoiding a deficit in the General Fund. The budget for 1984-85 proposes to partially reverse this action by shifting \$3.1 million in expenditures from the ELPF to the General Fund. The practical effect of this proposal is to increase funds in the Environmental Protection Program available for other projects.

CALIFORNIA CONSERVATION CORPS—Continued

The \$4.1 million funding shift will increase total General Fund support for the corps to \$20,412,000 in 1984-85, or 68 percent of total direct state appropriations (excluding reimbursements). There are no workload or program changes related to the funding shift.

Consolidation Results in Expansion

The budget reflects completion of a major reorganization of the CCC, both at headquarters and in the field. The reorganization, begun in the current year, contemplates the redirection of \$1,950,000 in savings resulting from the consolidation of headquarters and base center activities to provide funding for 181 new corpsmembers and related staff.

Consolidation. In 1984-85, the corps proposes to consolidate 25 base centers into 19 base centers and 5 nonresident satellite centers. Savings of \$1,629,000 would result from this consolidation, primarily due to elimination of 25.5 field positions at the six centers proposed for closure. In addition, reductions are proposed to eliminate duplicate staffing at the Humboldt and Butte Fire Centers (4.5 positions). Finally, CCC is propos-

Table 2
California Conservation Corps
Distribution of Budgeted Corpsmembers, by Base Center
1983-84 and 1984-85

	1983-84	1984-85	Change
Academy.....	146 ^a	60 ^a	-86 ^a
Bollinger Fire Center.....	60	Closed	-60
Butte Fire Center.....	60	60	—
Camarillo.....	72	102	30
Escondido.....	60	117	57
FDR (San Diego).....	72	Satellite of Escondido	-72
Fresno.....	72	Satellite of Woodlake	-72
Greenwood.....	72	102	30
Humboldt Fire Center.....	60	60	—
Los Angeles Urban.....	72	Satellite of San Pedro	-72
Mt. San Jacinto.....	60	Satellite of San Bernardino	-60
Oat Mountain.....	60	102	42
Placer.....	60	120	60
Pomona.....	60	117	57
Requa.....	60	87	27
Salmon Restoration.....	72	72	—
San Bernardino.....	60	117	57
San Francisco.....	72	102	30
San Gabriel.....	60	Satellite of Pomona	-60
San Luis Obispo.....	72	102	30
San Pedro.....	60	117	57
Santa Clara.....	60	102	42
Siskiyou.....	72	87	15
Stockton.....	72	102	30
Woodlake.....	60	117	57
Yountville.....	60	102	42
Total Corpsmembers.....	1,766	1,947	181

^a The decrease in the population at the academy is not real. It reflects the way in which CCC accounts for its special project corpsmembers, such as those assigned to Department of Forestry helitack field units and various backcountry projects. In 1983-84, these corpsmembers were included in the academy count; in 1984-85 they were distributed in the base center count. The budget does not propose a change in the use of the academy.

ing to combine and relocate its solar program (Greenwood Center) and Energy Conservation Program (Stockton Center) at what formerly was the Placer Fire Center. The Greenwood and Stockton centers will then function as regular base centers.

During the current year CCC has 399.5 authorized staff positions (86 at headquarters and 313 at base centers) to support 1,766 corpsmembers. The consolidation proposes to eliminate seven positions at the Sacramento headquarters, primarily within the Management and Systems Branch, for a savings of \$237,000. Combined with a \$84,000 savings in rental costs made possible by relocation to smaller quarters, this results in a total savings from headquarters consolidation of \$321,000.

Taken together, the CCC estimates that these actions will result in a total savings of \$1,950,000.

Expansion. The budget proposes to use the \$1,950,000 in savings from consolidation to finance an additional 181 corpsmembers (\$1,364,000) and 27 related base center staff (\$586,000). The new corpsmembers would be distributed among the 19 remaining centers. (No new centers are proposed for funding in the budget.) Table 2 compares the distribution of corpsmembers, by center, for 1983-84 and 1984-85.

As the table indicates, six centers will be closed. Nonresident satellites, each staffed with approximately 45 corpsmembers, will be established in the areas served by five of the six centers. The net change in corps staff as a result of both the consolidation and expansion proposals would be a net of 10 positions—7 at headquarters and 3 at centers.

We have no analytical basis on which to evaluate the CCC's proposal to close particular base centers.

We commend the CCC for its efforts to reduce its administrative staff and consolidate its operations in order to reduce costs. The proposed redirection of almost \$2 million in savings from consolidation to increase corpsmember strength, however, raises what essentially is a policy issue—what is the priority to the Legislature of this program, relative to other state programs? There is no clearly defined workload for the CCC that requires a specific number of corpsmembers to accomplish. Consequently, we have no analytical basis on which to recommend either an increase or decrease in corpsmember strength. In reviewing the proposal to increase the corps' strength, however, the Legislature may wish to consider the following:

- **Consolidation, by itself, will provide some increase in services.** Under the consolidation proposal, most of the corpsmembers from centers scheduled for closure would be retained and relocated at other centers. At the same time, total corpsmember *services* would increase because approximately 60 corpsmembers previously assigned to center maintenance at the centers proposed for closure will be available for project work after consolidation. Therefore, even if the consolidation is implemented without any redirection of savings to expand corpsmember strength, CCC could provide an increased level of public service compared with the current year. Under these circumstances, moreover, the General Fund would realize a savings of almost \$2 million.
- **Areas currently being served will continue to be served.** According to CCC staff, most of the areas that are now served primarily by the centers scheduled to be closed would continue to be served by

CALIFORNIA CONSERVATION CORPS—Continued

new nonresidential satellites located in the areas of the closed centers (Bollinger Fire Center is the only area not scheduled to be served by a new nonresident satellite center).

- *CCC currently has adequate resources for emergency response.* The CCC's ability to respond immediately to a variety of public emergencies, including floods and fires, represents one of the primary benefits to the public from the corps' activities. While this is CCC's most visible role, however, the data provided by the corps indicates that only 9 percent of the corps' total work hours in 1982-83 involved emergency response. This percentage is unlikely to increase because the CCC has since terminated its participation at four fire centers that it had operated jointly with the California Department of Forestry. Consequently, an increase in corps strength is not necessary to maintain the corps' existing emergency response capability.
- *Appropriate base center size.* Prior to consolidation, base centers were assigned from 60 to 72 corpsmembers. In the past, the CCC has claimed that this is the optimum base center size from the standpoint of both staff management and relationships among corpsmembers. After consolidation, the number of corpsmembers per center will increase to between 72 and 120 (depending on whether the total number of corpsmembers increases). It is unclear what effect this will have on base center staff, project management, or the corpsmembers themselves.
- *Savings from consolidation could be used to stabilize planning by the corps.* The budget requires CCC to contract for \$2.3 million in reimbursements from those agencies using the corpsmembers in 1984-85 (see following discussion). The source of those reimbursements has not been identified, and it is not clear if the CCC will be able to achieve that amount of reimbursements in the budget year. As an alternative to the proposed expansion of the corps, the \$2 million saved through consolidation could be used instead to reduce that portion of the corps' activities that depends on reimbursements, thereby providing more stability to project planning. If the corps is successful in securing the \$2.3 million in reimbursements, the amount in excess of \$333,000 could be used to (1) offset the General Fund costs of the corps or (2) increase the number of corpsmembers.

Implementation of User Charge Requirement

Prior to the current year, those agencies receiving services from the CCC typically paid only for the costs of materials, technical supervision, and specialized equipment. No charge was made for the costs of corpsmember salaries, CCC crew supervision, tools or transportation, all of which were paid from the CCC support appropriation.

For 1983-84, the corps proposed to begin charging some user-agencies a portion of the costs for those CCC services that agencies previously received at no cost. Charges were not proposed for emergency work, services provided to nonprofit organizations and CCC in-house activities. Consistent with that proposal, the 1983 Budget Act reduced General Fund support for the CCC by \$3.2 million, the estimated proceeds from the new user charges, and increased reimbursements by an equal amount.

At the time the Legislature was considering the 1983 Budget Bill, the CCC had not identified the source of reimbursements scheduled for 1983-

84. Consequently, the Legislature adopted language in the *Supplemental Report of the 1983 Budget Act* that reads: "It is the Legislature's intent that to the maximum extent possible, the California Conservation Corps seek reimbursable contract work from other departments within the Resources Agency or other appropriate agencies, and that the Secretary of Resources report by August 30, 1983, to the fiscal committees of the Legislature from which sources the reimbursements, totaling \$3,200,000, will come." The required report was submitted September 1, 1983. The sources of reimbursements during 1983-84, as reported by CCC, along with the sources projected for 1984-85, are shown in Table 3.

Table 3
California Conservation Corps
Source of User Charges
1983-84 and 1984-85
(in thousands)

Agency	1983-84	1984-85
U.S. Army Corps of Engineers	\$200	
U.S. Forest Service.....	1	
U.S. Small Business Administration (Department of Parks and Recreation).....	1,500	
U.S. Small Business Administration (Caltrans).....	270	
Office of Economic Opportunity (federal funds)	50	
Department of Parks and Recreation.....	80	
Department of Water Resources	150	\$300
Caltrans.....	1,000	
California Department of Forestry	—	1,500
Unidentified.....	—	533
Totals.....	\$3,251	\$2,333

As Table 3 indicates, the CCC has identified more than \$3.2 million in reimbursements that it expects to receive in 1983-84. Approximately \$1.8 million, or 55 percent of the total, however, represents a one-time grant of federal jobs bill money from the U.S. Small Business Administration. These federal funds, provided to the CCC through contracts with the departments of Transportation and Parks and Recreation, were used for a variety of state and local projects, including highway landscaping and park restoration and rehabilitation. Had it not been for this one-time grant, we believe that achievement of the funding target would have been much more difficult, if not impossible.

If these federal funds are not available in 1984-85, and they are not expected to be, it will be necessary to increase reimbursements by nearly 40 percent above what is expected to be earned from other sources in the current year.

1984-85 Budget Request

We withhold recommendation on \$2,333,000 in scheduled reimbursements from user charges, pending clarification of the total amount available, the particular funding sources and the proposed use of the funds.

The budget proposes to reduce the estimated amount of reimbursements available to the CCC from user charges, from \$3,200,000 in 1983-84 to \$2,333,000 in 1984-85. This reduction—\$867,000—will be completely offset by an augmentation from the Environmental License Plate Fund. (The budget includes a total of \$7,063,000 in reimbursements. Most of the remaining \$4.7 million represents corpsmember payments and support

CALIFORNIA CONSERVATION CORPS—Continued

from the Department of Fish and Game for the Humboldt Stream Clearance Project.) At the time this *Analysis* was prepared, the following issues remained unresolved regarding reimbursements from user charges in 1984-85:

- ***Dutch Elm Disease Project.*** The CCC is scheduled to receive \$1,500,000 in 1984-85 from the California Department of Forestry (CDF) to replace seasonal help on the Dutch Elm Disease eradication project. It is not clear that the proposed switch in the source of labor for the project is appropriate. We have asked for clarification of CDF's proposal (see our analysis of Item 3540) because adequate information has not been provided regarding the elimination of seasonal help positions, the amount of workload to be transferred to CCC, and the ability of CCC to perform all of the tasks required.
- ***Potential General Fund Savings.*** During 1983-84, the CCC has contracted with Caltrans to do \$1 million in highway landscaping and related work. No funds are budgeted from this source for 1984-85. Caltrans, however, has indicated that it has up to \$2 million available for such work in 1984-85. The CCC has been negotiating with Caltrans to continue the landscaping program in the budget year, but no agreement had been reached at the time our *Analysis* was prepared. If, in 1984-85, the CCC receives user charges from Caltrans in addition to the user charges shown in Table 3, it would make possible a General Fund savings of from \$1 million to \$2 million.
- ***Unidentified Sources.*** The budget detail identifies the source of only \$1.8 million of the \$2.3 million in user charge reimbursements. The source of the remaining \$533,000 has not been identified.
- ***Program Stability.*** Although the user charge requirement resulted in a General Fund savings of \$3.2 million in 1983-84, it also upset the CCC's program planning. For example, the \$1.8 million SBA grant required that all work be completed by October 1, 1983. As a result, CCC had to expand significantly its corpsmember population during the first three months of the current year, and has had to make offsetting reductions during the rest of the year. In addition, corpsmembers hired for the SBA program were unavailable for emergency work during the first quarter of 1983-84. By increasing its dependence on user charges, the corps will find it necessary to shape its programs to meet the needs of user agencies. In some cases, those needs may not match the needs of the corps itself.

The amount of reimbursements received from user charges has a direct impact on both the CCC's program level and its program stability. Any shortfall in reimbursements will reduce corpsmember strength. Any special conditions attached to reimbursements (such as those that accompanied the SBA grant) can disrupt the corps' operations. Recognizing this, and taking into account the uncertainty surrounding the exact source of reimbursements, we defer recommendation on \$2,333,000 in scheduled reimbursements. We will submit a supplemental analysis of this component of the CCC's budget following receipt of clarification on the total amount of reimbursements likely to be available, the specific sources of these reimbursements, and the proposed use of funds.

Questionable Utility of the Training Academy

We recommend that CCC report prior to budget hearings on (1) the costs and benefits of the training academy, (2) the effectiveness of the training academy versus direct assignments, and (3) alternatives for increasing the utilization of the academy.

CCC maintains a training academy at Fricot City, Calaveras County. The primary function of the academy is to provide initial screening, training and orientation of new corpsmembers. In addition, the academy is used to train crew leaders, provide occasional staff training and house two regular corpsmember crews from the former Calaveras Fire Center. The two crews, however, are funded from the budgets of other centers.

Operation of the training academy is one of the more expensive elements of the CCC program. It has a proposed budget for 1984-85 of almost \$2.9 million—approximately three times as much as an existing base center. This includes the cost of 25.9 permanent staff years (exclusive of staff related to the two Calaveras crews) and an annual lease cost of more than \$300,000 (including taxes).

At the time our *Analysis* was prepared, CCC was conducting a three-month study that will help determine the future use of the academy. As part of this study, a number of issues were being considered including:

Need for an Academy. Not all corpsmembers are assigned to the academy (most corpsmembers at nonresidential centers and corpsmembers hired directly from the community around residential centers generally do not attend the academy). In addition, the "Summer Corps" program (operated in 1983-84 and supported by a grant from the federal Small Business Administration) hired approximately 1,000 corpsmembers who did not receive academy training. Our discussions with base center directors were inconclusive regarding the need for an academy. Some felt that direct assignment of corpsmembers to base centers, without academy training, has been successful and justifies eliminating the costly alternative of the academy. Others felt strongly that the academy served a necessary screening and training function.

Underutilization of the Academy. The academy is not being used full-time as a training facility. For example, training and orientation of new corpsmembers requires only three weeks a month (and there is only one class per month). The remaining week in each month is used for crew leader training and occasional staff training. This training, however, does not require or justify retention of the full staff for that time. The CCC is looking at means to increase the utilization of the academy, including providing more staff training and/or maintaining a regular base center at the academy.

Alternatives. CCC is considering alternatives to the academy, including a move to a less-costly facility. The existing lease does not terminate until January 1, 1986. Therefore, any move sooner than that date would require approval by the facility's owners.

Because of the high cost of the academy and the potential impact of changes in the academy's program on the 1984-85 budget, we recommend that CCC expand and expedite its evaluation of the training academy. Specifically, the evaluation should be expanded to include (1) an analysis of the costs and benefits of the academy program, (2) a comparison of costs associated with the academy program and the costs associated with a full or partial program of direct assignments, and (3) proposals to increase utilization of the academy. The evaluation should be available for review by legislative fiscal committees prior to budget hearings.

CALIFORNIA CONSERVATION CORPS—Continued**Redirection of Corpsmember Salary Savings not Justified**

We recommend that an adjustment for corpsmember salary savings be incorporated and separately identified in future budgets. We further recommend that the proposed redirection of \$657,000 in corpsmember salary savings to operating expenses be denied because the operating expense increase has not been justified (Reduce Item 3340-001-001 by \$445,000, Item 3340-001-140 by \$110,000 and Item 3340-001-019 by \$102,000).

In theory, each agency could receive full support for every position authorized in its budget. In practice, this is neither necessary nor appropriate. Because 100 percent of all positions are not filled 100 percent of the time, an adjustment factor—known as “salary savings”—is subtracted from the budgets by the Department of Finance in determining the size of the appropriation required to support the agency’s budget program. Salary savings occur due to vacancies, delays in filling authorized positions and employee turnover (where an employee leaves and is replaced by another employee at a lower salary).

As with all state agencies, CCC’s budget includes a salary savings adjustment for staff positions. Historically, no salary savings-type adjustment has been included for the salaries of corpsmembers. This is true even though the cost of corpsmember salaries typically has been less than the amount budgeted. These savings either have reverted to the General Fund or have been administratively redirected to other purposes.

The corpsmember salary savings generally have been due to two factors: (1) on the average corpsmembers do not receive their full monthly salary of \$581 due to suspensions, leaves without pay, etc., and (2) the actual average number of corpsmembers each year is consistently less than the number budgeted.

The 1984–85 budget implicitly recognizes this savings by reducing the amount budgeted for corpsmembers’ salaries by 4.58 percent to reflect the estimated savings due to suspensions, leaves without pay, and the like. This is an appropriate adjustment, and we recommend that it be separately identified in future budgets.

The 4.58 percent salary savings factor resulted in a total reduction of \$657,000 from the baseline amount for corpsmember salaries. Instead of reducing its budget request by this amount, as other agencies typically do, the CCC has proposed to redirect the full amount to augment its operating expenses. This augmentation is in addition to (1) the permanent augmentation of \$323,000 received by the CCC in the 1983 Budget Act specifically to fully fund underbudgeted operating expenses and (2) the 6 percent baseline adjustment proposed for 1984–85 to compensate for inflation (as provided in Department of Finance budget instructions).

The CCC has not presented any justification for increasing its operating expenses by \$657,000. Accordingly, we recommend that corpsmember salary savings be used to reduce the appropriations from state funds, for a total savings of \$657,000 (Reduce Item 3340-001-001 by \$445,000, Item 3340-001-140 by \$110,000, and Item 3340-001-019 by \$102,000).

Automation has not been successful

We recommend that Item 3340-001-001 be reduced by \$140,000 to eliminate support for unidentified automation projects.

The CCC has been attempting to develop a limited electronic data

processing system for over three years. The 1981 Budget Act included \$192,000 to study the feasibility and begin implementation of automated personnel, fiscal and project management systems. That study did not provide sufficient justification to implement all of the individual components of the system.

The 1982 Budget Act approved \$32,000 for automation of the project management and medical records elements of the CCC's proposed EDP system. The expenditure of an additional \$111,000 for a corpsmember personnel management system and staff personnel system was made contingent on Department of Finance approval of a feasibility study covering those systems. The feasibility study was not completed and neither system was implemented.

The 1983 Budget Act included the same control language to limit the expenditure of \$136,000 proposed for the same purposes. At the time our *Analysis* was prepared, the required feasibility study still had not been completed and the corps was considering terminating the project.

The 1984-85 budget once again requests support (\$140,000) for what appears to be the same automation project. The request contained no supporting detail.

Although in the past we have concurred with the corps' automation concept, our analysis indicates that the existing proposal cannot be successfully implemented. This appears to be acknowledged by the CCC, as it eliminated from its budget, the associate program analyst position responsible for the feasibility study. Because these funds are no longer necessary, we recommend a reduction of \$140,000 to delete funds proposed for automation purposes.

CALIFORNIA CONSERVATION CORPS—CAPITAL OUTLAY

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

Budget p. R 23

Requested 1984-85	\$460,000
Recommended approval	140,000
Recommended reduction	14,000
Recommendation pending	306,000

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

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1. Greenwood Solar Center. Withhold recommendation, pending receipt of information on feasibility of converting shops to barracks and/or office/recreation facilities. 548
2. *Minor Projects. Reduce Item 3340-301-036(1) by \$14,000.* 548
Recommend deletion of four projects proposed for facilities that are scheduled to be closed.

ANALYSIS AND RECOMMENDATIONS

The budget proposes \$460,000 from the General Fund, Special Account for Capital Outlay, for capital outlay projects for the California Conservation Corps (CCC). The proposal includes \$306,000 for construction of barracks, recreational, and office facilities at the Corps' Greenwood Solar

CALIFORNIA CONSERVATION CORPS—CAPITAL OUTLAY—Continued

Center. The remaining \$154,000 is proposed for 16 minor capital outlay projects at 10 CCC facilities.

Greenwood Solar Center

We withhold recommendation on Item 3340-301-036(2), working drawings and construction, Greenwood Solar Center, pending receipt of information on the feasibility of converting unused shop facilities to barracks and/or recreation center.

Item 3340-301-036(2) provides \$306,000 for working drawings and construction for two barracks buildings and a combination staff office/recreation building at the CCC's Greenwood Solar Center in El Dorado County.

This project is the last phase of a four-year development program at the solar center. Previous projects have provided maintenance and kitchen facilities, shop buildings and general site improvements.

Proposed project. The CCC proposes to construct two 2,840 square foot barracks buildings costing \$106,500 each and a 2,576 square foot building costing \$93,000, for recreation and staff offices. The barracks would house corps members presently housed in trailers. The office/recreation facility would provide 728 square feet of office space for employees and 1,848 square feet of recreation space for corps members.

Changes in center's function. One of the center's principal activities is the construction of solar panels. This function, however, will be transferred to the Placer Center during the current year. While this transfer is not anticipated to have a significant impact on the number of corps members or employees at the center, it will alleviate the need for the existing shop buildings. These buildings, constructed in 1982-83, may be usable as barracks or office/recreation facilities. Consequently, we believe it would be premature to appropriate construction funds for the proposed projects until CCC examines the feasibility of converting the shop buildings to barracks and/or office and recreation facilities. The CCC should evaluate this option and submit its finding to the Legislature prior to budget hearings. Pending receipt of this information, we withhold recommendation on the \$306,000 requested for these facilities.

Minor Projects

We recommend that Item 3340-301-036(1), minor projects, be reduced by \$14,000, to eliminate funding for improvements at centers that are scheduled to be closed.

The budget proposes \$154,000 for 16 minor capital outlay projects under Item 3340-301-036(1). Ten of the proposed projects are for fire and life safety modifications to CCC facilities. The remaining six projects are for center improvements.

Our analysis indicates that four of the proposed projects, all in the center improvement category, involve modifications to facilities that the corps intends to close under its new reorganization plan. These include a cyclone fence for the Bollinger Center (\$4,000), a vehicle storage area for the FDR Center (\$3,000), and an extension of the auto shop (\$2,000) and construction of a wood shop (\$5,000) at the San Gabriel Center. Consequently, we recommend that \$14,000 be deleted from this item. We recommend approval of the remaining 12 minor capital outlay projects.

Resources Agency
ENERGY RESOURCES CONSERVATION AND DEVELOPMENT
COMMISSION

Item 3360 from various funds

Budget p. R 23

Requested 1984-85	\$30,994,000
Estimated 1983-84.....	26,652,000
Actual 1982-83	48,603,000
Requested increase (excluding amount for salary increases) \$4,342,000 (+ 16.3 percent)	
Total recommended reduction	220,000
Recommendation pending	1,627,000

1984-85 FUNDING BY ITEM AND SOURCE

Item	Description	Fund	Amount
3360-001-031	Assistance to Agricultural and Forestry Waste-to-Energy Projects	State Agricultural and Forestry Residue Utilization Account, General	2,700,000
3360-001-033	Energy Conservation Loans to Schools, Hospitals, and Local Governments	State Energy Conservation and Assistance Account, General	3,500,000
3360-001-044	Support	Motor Vehicle Account, State Transportation	81,000
3360-001-044	Support	Energy Resources Programs Account, General	21,859,000
3360-001-890	Support	Federal Trust	(4,281,000)
3360-101-034	Grants to Local Governments with Geothermal Resources	Geothermal Resources Development Account, General	2,854,000
Total			\$30,994,000

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

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|--|--------------------------|
| 1. Current-Year Deficiency. Recommend commission report on (a) the size of the deficiency appropriation needed in the current year and (b) how it has adjusted to staff and funding reductions enacted for the current year. | 552 |
| 2. Power Plant Siting. Withhold recommendation on \$1,627,000 and 32 limited-term positions requested for power plant siting, pending receipt of updated workload estimates. | 552 |
| 3. <i>Petroleum Industry Information Reporting Act (PIIRA)</i> . Reduce Item 3360-001-465 by \$136,000. Recommend deletion of \$136,000 and 3.5 personnel-years to reflect the expiration of the PIIRA program on January 1, 1985. | 553 |
| 4. <i>General Expenses</i> . Reduce Item 3360-001-465 by \$84,000. Recommend reduction to reflect recent reduction in commission staff. | 553 |
| 5. Petroleum Violation Escrow Account (PVEA) Funds. Recommend commission report at budget hearings on (a) availability of PVEA allocations to the state, and (b) its proposal for using these funds. | 554 |

ENERGY RESOURCES CONSERVATION AND DEVELOPMENT COMMISSION —Continued

GENERAL PROGRAM STATEMENT

The Energy Resources Conservation and Development Commission is a five-member full-time commission that is responsible for siting major electric power plants, forecasting energy supplies and demands, developing energy conservation measures, and carrying out a program of research and development involving energy supply, consumption, conservation, and power plant siting technology.

The commission, located in Sacramento, has 354 authorized positions in the current year.

OVERVIEW OF THE BUDGET REQUEST

The budget proposes five appropriations totaling \$30,994,000 from various state funds for support of the Energy Resources Conservation and Development Commission in 1984–85. This is an increase of \$4,342,000, or 16 percent, above estimated current-year expenditures. This increase will grow by the cost of any salary or staff benefit increases that may be approved for the budget year.

The budget proposes total expenditures of \$35,275,000 in support of the commission's programs in 1984–85, including \$4,281,000 from federal funds. This is \$2,365,000, or 6.3 percent, less than the \$37,640,000 that the commission is expected to spend during the current year. The \$2,365,000 reduction reflects a decrease of \$6,707,000 in federal funds, partially offset by an increase of \$5,500,000 from the Energy Resource Programs Account for energy conservation loans to schools, hospitals, and local governments.

The level of total expenditures (all funds) shown in the budget is \$27,854,000, or \$7,421,000 less than the \$35,275,000 noted above. The difference is due to the way in which the budget displays expenditures for loan programs.

The budget proposes \$11,700,000 in expenditures for energy conservation and biomass energy loan programs in 1984–85. It also anticipates that the commission will receive \$7,421,000 in repayments of past loans (including equipment buy-back agreements) during 1984–85. The budget deducts the amount of these repayments from total expenditures for loan and grant programs, so that only the net amount—\$4,279,000—is reflected in the expenditure totals. This is why the budget shows total expenditures proposed for 1984–85 as being only \$27,854,000.

Similarly, the budget shows current-year total expenditures as being \$30,284,000, which consists of \$37,640,000 in expenditures partially offset by \$7,356,000 in loan repayments. Also included in current year expenditures is a proposed deficiency appropriation of \$1,886,000. This appropriation is requested to fund unbudgeted costs for positions terminated during the current year. This deficiency appropriation is discussed later in this analysis.

Significant Budget Changes

The budget proposes the following major program changes:

- The continuation of 32 limited-term positions, at a cost of \$1,627,000, for power plant siting.
- An increase of \$6,494,000 for energy conservation loans to public and nonprofit schools, hospitals, public care institutions, and units of local government, and for loans to replace inefficient street lights.

- An increase of \$2,315,000 in federal funds for loans and grants to encourage energy conservation measures in multifamily and other residential buildings.
- A reduction of \$1,900,000 in expenditures from the State Agricultural and Forestry Residue Utilization Account (SAFRUA) in the General Fund for new biomass energy demonstration projects.

Table 1
Energy Commission
1984-85 Proposed Budget Changes
(in thousands)

	<i>Energy Resources Programs Account</i>	<i>Other Funds</i>	<i>Federal Trust Funds</i>	<i>Total</i>
1983-84 Expenditures (Revised)	\$17,843	\$1,453	\$10,988	\$30,284
Proposed 1983-84 Deficiency Appropriation	(1,886)	—	—	(1,886)
Major Program Changes:				
I. REGULATORY & PLANNING PROGRAM				
A. Continue 32 Limited-Term Positions for Power Plant Siting	(1,627)	—	—	(1,627)
B. Continue PIIRA Program	(136)	—	—	(136)
II. CONSERVATION PROGRAM				
A. Energy Conservation Loans:				
1. Increase Loans for ^a Schools, Hospitals and Streetlights	5,500	994 ^b	—	6,494
2. Increase Loan Repayments ^c	—	-1,980	—	-1,980
B. Increase in Solar and Energy Conservation Bank Program	—	—	2,315	2,315
C. Reduction in PVEA ^d Funds:				
1. Schools and Hospital Grants	—	—	-3,511	-3,511
2. Streetlight Grants	—	—	-2,000	-2,000
3. Traffic Signal Synchronization Grants	—	—	-1,400	-1,400
4. Rental Housing Loan Subsidies	—	—	-1,000	-1,000
III. DEVELOPMENT PROGRAM				
A. Continue 5 Limited-Term Positions in Methanol Fleet Program	(290)	—	—	(290)
B. Loans for Biomass Energy Projects:				
1. Reduction in Loans	—	-1,900 ^e	—	-1,900
2. Reduction in Loan Repayments	—	1,915 ^e	—	1,915
C. Increase in Geothermal Grants	—	1,240 ^f	—	-1,240
D. Reduction in Federal Funding:				
1. PVEA ^d Assisting private energy projects in public facilities	—	—	-1,000	-1,000
V. MISCELLANEOUS AND BASELINE CHANGES				
A. Change in Contracts	-557	—	—	-557
B. One-time costs of 1983-84 staff reductions	-1,886	—	—	-1,886
C. Other changes	959	-8	-111	840
1984-85 EXPENDITURES (PROPOSED)	\$21,859	\$1,714	\$4,281	\$27,854
Changes from 1983-84:				
Amount	\$4,016	\$261	-\$6,707	-\$2,430
Percent	22.5	18.0	-61.0	-8.0

^a Energy conservation loans to schools, hospitals, public care institutions and units of local government and loans to local governments for replacing inefficient streetlights.

^b State Energy Conservation and Assistance Account, General Fund.

^c Loan repayments are included as negative expenditures.

^d Petroleum Violation Escrow Account, Federal Funds.

^e State Agricultural and Forestry Residue Utilization Account, General Fund.

^f Geothermal Resources Development Account, General Fund.

ENERGY RESOURCES CONSERVATION AND DEVELOPMENT COMMISSION —Continued

Table 1 summarizes the commission's proposed budget changes for 1984-85, by funding source.

ANALYSIS AND RECOMMENDATIONS

Report on Current-Year Deficiency

We recommend that the commission report at budget hearings on (1) the size of the deficiency appropriation it requires in the current year and (2) how the commission has adjusted to the staff and funding reductions required by the 1983 Budget Act.

The 1983 Budget Act reduced the commission's staff from 487 to 354 positions, a reduction of 133 positions, or 27 percent. As passed by the Legislature, the act included (1) funds for an additional 61 positions and (2) \$1,000,000 to cover the transition costs of phasing out 72 positions. The Governor, however, vetoed these funds.

As chaptered, however, the Act assumed that the reduction of 133 positions would occur on July 1, 1983. The commission indicates that it has not been able to reduce its staff size as quickly as the 1983 Budget Act contemplated. This is because state law and the policies of the State Personnel Board preclude the immediate layoff of personnel. As a result, the commission has incurred additional and unanticipated costs to pay unbudgeted staff during the first six months of the current year. This has resulted in a current-year deficit that is estimated at \$1,886,000.

So that the Legislature can better assess the need for a deficiency appropriation and the nature and magnitude of the problems encountered by the commission in reducing its staff size, we recommend that the commission report at budget hearings on (1) the size of the deficiency appropriation required for 1983-84 and (2) how it has adjusted to the required reductions in staff and funds for the current year.

Workload Estimates for Power Plant Siting Too Uncertain

We withhold recommendation on the request to continue 32 limited-term positions in the power plant siting program, at a cost of ~~\$1,627,000~~, pending receipt of updated workload estimates. *\$1,551,000*

The Warren-Alquist Act (Public Resources Code Section 25000) established the Energy Commission as the exclusive siting authority for all thermal electric power plants over 50 megawatts in size. The commission has certified 13 power plants since 1975.

In the current year, the commission has 53 positions in its power plant siting program. Of the 53 positions, 32 are limited-term and will expire on June 30, 1984. The budget requests continuation of these 32 positions through 1984-85, at a cost of \$1,627,000. The total request for power plant siting is \$3,027,000, or \$19,000 less than estimated expenditures in the current year.

Workload is difficult to predict. Utilities are required to submit quarterly reports to the commission identifying the applications for new power plant sites that they intend to file during the ensuing two-year period. These reports, however, do not provide a reliable basis for estimat-

ing the commission's workload. Many power plants are built by parties other than utilities, who then sell their power to utilities. This is particularly true of cogeneration power plants that are located at existing industrial sites or public institutions.

Of the 13 siting applications that the commission expects to process in 1984-85, seven are expected to come from private developers. Because private developers are not required to notify the commission in advance of their intent to file an application to site a power plant, the current siting workload estimate could change significantly. In addition, private developers often are not familiar with the requirements of the siting process. As a result, predicting workload for these siting cases is particularly difficult.

The commission indicates that it will be receiving additional information on which it can base a more accurate estimate of siting workload in 1984-85. This information will be available prior to budget hearings. Consequently, we withhold recommendation on the request to continue the 32 limited-term positions for power plant siting, pending receipt of this updated workload information.

Sunset of Petroleum Industry Information Reporting Act

We recommend deletion of 3.5 personnel-years requested for the Petroleum Industry Information Reporting Act (PIIRA) program, because the provisions of the act terminate on January 1, 1985, for a savings of \$136,000 to the Energy Resources Programs Account.

The Petroleum Industry Information Reporting Act (PIIRA) was enacted in 1980 (Public Resources Code Section 25350). Implemented in October 1981, the commission's PIIRA program has developed an information base covering petroleum production, transportation, and sales in California. The PIIRA program publishes compilations and analyses of this data in the *Quarterly Oil Report* and the *Annual Petroleum Review*. The commission's budget includes seven positions to carry out the PIIRA program.

Under existing law, the PIIRA will expire on January 1, 1985. The budget, however, indicates that legislation will be sought to extend the PIIRA beyond this date. On this basis, the budget requests that the seven positions in the commission's PIIRA program be extended for the remaining six months of 1984-85 (3.5 personnel-years), at a cost of \$136,000.

Traditionally, the Legislature has not included funding in the Budget Bill for activities or programs lacking statutory authorization. Instead, it has considered funding for such activities and programs in connection with the needed authorizing legislation. On this basis, we recommend the deletion of \$136,000 from the Energy Resources Programs Account and the 3.5 personnel-years requested to continue the PIIRA program beyond the program's scheduled January 1, 1985 termination date. If the Legislature chooses to continue the program, money for this purpose can be included in the bill that repeals or extends the termination date.

General Expenses Overbudgeted

We recommend a reduction of \$84,000 from the Energy Resources Programs Account, because the budget for general expenses was never adjusted to reflect the 27 percent reduction in commission staff in 1983-84.

The commission's authorized staff level of 354 positions in 1983-84 is 133, or 27 percent, less than the number of staff authorized for 1982-83. Although a large reduction in staff should result in reduced expenditures for general office expenses, no such reduction was made in the commission's

ENERGY RESOURCES CONSERVATION AND DEVELOPMENT COMMISSION
—Continued

budget for general expenses in 1983-84. Consequently, the base upon which the commission's budget for 1984-85 is built is too high.

The commission spent \$443,000 for general expenses in 1982-83. If the 1983-84 budget had been correctly adjusted to reflect (1) a 27 percent staff reduction and (2) a 4.5 percent general price increase, the adjusted 1983-84 amount for general expenses would have been \$338,000, rather than the \$460,000 actually budgeted for the current year.

If the general price increase of 6 percent for 1984-85 is applied to this adjusted 1983-84 base, the amount needed for general expenses in 1984-85 becomes \$358,000. The budget, however, requests \$442,000 for general expenses, an amount that is \$84,000 higher than what we believe is appropriate, given the commission's current staffing levels. Accordingly, we recommend a reduction of \$84,000 from the Energy Resources Programs Account to correct for this overbudgeting.

Commission Report on Petroleum Violation Escrow Account Funds

We recommend that the commission report at budget hearings on (1) the status of federal Petroleum Violation Escrow Account (PVEA) allocations that are available to the state in 1983-84 and (2) its proposals for using these funds.

House Joint Resolution 631, enacted by Congress in December 1982, required the Secretary of Energy to distribute up to \$200 million of petroleum violation escrow account (PVEA) funds to the states. The escrow funds are payments by oil companies and others to the federal government because of alleged overcharging during the period when petroleum prices were regulated by federal law.

The 1983 Budget Act appropriated \$10,988,000 in federal funds to the commission. Of this amount, \$9,061,000 was from the state's initial \$18,914,000 allocation from the PVEA.

According to the commission, the state should receive an additional \$1.2 million from the PVEA in the current year, resulting from small overcharge cases. The state can receive the funds, however, only after providing the U.S. Department of Energy with an expenditure plan. According to the commission, the administration expects to propose an expenditure plan for these funds before June 30, 1984, and will notify the Legislature of its proposed plan pursuant to Section 28 of the 1983 Budget Act.

We recommend that the commission report at budget hearings on the current status of PVEA allocations that are available to the state in 1983-84 and its proposal for using these funds.

The budget does not include any PVEA funds for 1984-85. According to the state Attorney General's office, by 1985-86 the state probably will receive an additional \$2.8 million in PVEA funds from small cases. Some of these funds might be received in 1984-85.

In addition, two PVEA cases currently are pending in federal court, which could result in California receiving approximately \$24 million of PVEA funds. These cases are not expected to be resolved, however, until 1985-86 at the earliest.

Table 2 below shows how the entire \$18,914,000 in PVEA funds were appropriated in the 1983 Budget Act.

Table 2
Allocation of Petroleum Violation Escrow Account Funds
1983 Budget Act
(in thousands)

1. Office of Economic Opportunity	a. Low Income Home Weatherization	\$2,000
	b. Energy Crisis Intervention Program	4,000
2. Office of Planning and Research	Energy Extension Service	964
3. Energy Commission	a. Schools and Hospitals Energy Conservation Projects	3,511
	b. Streetlight Conversion	2,000
	c. Traffic Signal Synchronization ^a	1,400
	d. Study of Energy Conservation Programs	150
	e. Incentives for Weatherization of Rental Properties	1,000
	f. Assisting Private Investment in Public Energy Projects	1,000
4. California State University	Capital Outlay for Energy Conservation Projects ^b	2,085
5. Community Colleges	Capital Outlay for Energy Conservation Projects ^b	804
	Total Appropriations	\$18,914

^a Budget Act transferred program responsibility to Caltrans.

^b Federal regulations prohibit use of Petroleum Violation Escrow Account money for capital outlay. The 1983 Budget Act authorizes the administration to reallocate these funds for allowable uses after notifying the Legislature pursuant to Section 28 of the act.

Status of Programs Funded from Energy-Related Revenues

Energy Resources Program Account. The Energy Resources Programs Account (ERPA) in the General Fund receives revenue from a surcharge on the sale of electricity. Chapter 1067, Statutes of 1982, fixed the electricity surcharge at \$0.0002 (two-tenths of a mill) per kilowatt hour. Table 3 compares estimated expenditures from the ERPA in 1983-84 with expenditures proposed from this account in 1984-85.

Table 3
Expenditures from the Energy Resources Programs Account
(in thousands)

<i>Organization</i>	<i>Estimated 1983-84</i>	<i>Proposed 1984-85</i>
Energy Commission	\$17,843	\$21,859
Department of General Services	—	1,053
California Conservation Corps.....	4,609	4,709
Department of Conservation.....	114	—
Air Resources Board.....	151	159
Solar Cal Office	17	—
Solar Energy Conservation Mortgage Corp.	—80	—
Board of Equalization	78	70
Board of Control Claims	1	—
Pro Rata Assessments.....	297	23
Totals	\$23,030	\$27,873

ENERGY RESOURCES CONSERVATION AND DEVELOPMENT COMMISSION
—Continued***Proposed Termination of Energy Conservation and Assistance Account.***

The Energy Conservation and Assistance Account (ECAA) in the General Fund was established by the Energy Conservation Assistance Act of 1979 (Public Resources Code, Section 25410). The commission may use ECAA funds for loans to (1) public or nonprofit schools and hospitals for energy conservation measures and (2) local governments for converting streetlights to energy-efficient sodium vapor lamps. The loan recipients must repay the ECAA, with interest calculated at the rate the state receives on its Pooled Money Investment Fund.

The 1979 act transferred \$20 million from the General Fund to the ECAA, and Ch 902/80 transferred an additional \$8 million to the ECAA from the Energy and Resources Fund. Revenue from loan repayments is deposited into the ECAA, and can then be loaned again for energy conservation projects.

The budget estimates that the ECAA will have a beginning balance of \$3,351,000 in 1984-85 and that revenues from loan repayments to the ECAA will be \$6,094,000. Total funds available in the ECAA during 1984-85, therefore, are expected to be \$9,445,000.

The budget proposes to appropriate \$3,500,000 of the \$9.4 million in the ECAA for new loans in 1984-85, and to transfer the balance—\$5,945,000—to the General Fund. The budget indicates that legislation will be proposed to authorize this transfer. The Department of Finance indicates that the legislation also will propose terminating the ECAA and transferring ECAA programs to the ERPA. The budget also includes \$5,500,000 from the ERPA for additional energy conservation loans in 1984-85. Thus, the total amount proposed for energy conservation loans in 1984-85 is \$9,000,000.

Geothermal Resources Development Account. Under federal law, the state receives one-half of the revenue from bonuses, royalties and other payments from mineral development on federal land in California. Chapter 139, Statutes of 1980, requires that the state's share of the revenues from geothermal development on federal land should be deposited in the Geothermal Resources Development Account (GRDA) in the General Fund.

Of the revenue received by the GRDA, 30 percent is available to the Energy Commission for grants to local governments with geothermal resources. These grants may be used for a wide variety of purposes related to the development of local geothermal resources. The other 70 percent of GRDA revenues is transferred to the Renewable Resources Investment Fund (30 percent) or paid directly to counties in which the federal geothermal leases are located (40 percent).

The budget estimates that \$3,264,000 will be available in the GRDA for use by the Energy Commission for grants to local government in 1984-85. The budget proposes an appropriation of \$2,854,000 to the Energy Commission for local grants in 1984-85, leaving an unexpended balance of \$410,000 on June 30, 1985.

**Resources Agency
CALIFORNIA WASTE MANAGEMENT BOARD**

Item 3380 from the General
Fund

Budget p. R 34

Requested 1984-85	\$3,693,000
Estimated 1983-84	3,671,000
Actual 1982-83	6,189,000
Requested increase (excluding amount for salary increases) \$22,000 (+0.6 percent)	
Total recommended reduction	77,000

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

*Analysis
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- | | |
|--|-----|
| 1. Mobile Pyrolyzer. Recommend that the board report prior to budget hearings on (a) the status of the mobile pyrolyzer project, (b) the status of the contract to field test the unit, and (c) potential savings that could be realized from the sale of the equipment. | 558 |
| 2. Waste Management Task Force. Recommend that the board report prior to budget hearings on the implementation of the Waste Management Task Force authorized by Item 3380-011-140 of the 1983 Budget Act. | 559 |
| 3. Contract Funds. Reduce Item 3380-001-001 by \$77,000. Recommend reduction to eliminate support for unspecified contracts. | 560 |

GENERAL PROGRAM STATEMENT

The California Waste Management Board is responsible for (1) ensuring that nonhazardous wastes are handled and disposed in an environmentally sound manner and (2) encouraging the adoption of environmentally, economically, and technically-sound changes in waste disposal practices. Under existing law, local government has the primary responsibility for solid waste management and associated planning.

The board has 80 personnel-years of staff in the current year.

OVERVIEW OF THE BUDGET REQUEST

The budget requests \$3,693,000 from the General Fund for support of the California Waste Management Board in 1984-85. This is an increase of \$22,000, or 0.6 percent, above estimated current-year General Fund expenditures. This, however, makes no allowance for any salary or staff benefit increases that may be approved for the budget year.

Total expenditures proposed for 1984-85 amount to \$3,920,000. This includes expenditures of (1) \$83,000 from reimbursements and (2) \$144,000 from the Environmental License Plate Fund, which is the estimated balance available in 1984-85 from a two-year appropriation made by the 1983 Budget Act (Item 3380-011-140) for support of the Waste Management Task Force. The proposed level of total expenditures is \$270,000, or 6.5 percent, less than estimated current-year expenditures from all funding sources.

CALIFORNIA WASTE MANAGEMENT BOARD—Continued**ANALYSIS AND RECOMMENDATIONS****Return of the Mobile Pyrolyzer**

We recommend that the California Waste Management Board report prior to budget hearings on (1) the status of the mobile pyrolyzer project, (2) the status of the contract to field test the unit, and (3) the savings that could be realized from the sale of the mobile pyrolyzer.

Chapter 1246, Statutes of 1976 (SB 1395), directed the board to determine the economic feasibility of a system to convert agricultural wastes into synthetic fuel. If the board found such a system to be economically feasible, the statute authorized the board to construct and field test a prototype unit.

In June 1978, the board and the U.S. Environmental Protection Agency (EPA) entered into separate contracts with the same primary contractor for a mobile pyrolyzer unit. The project was intended to design, construct, and test trailer mounted equipment that can convert organic material (such as crop wastes) into synthetic fuel. The unit was designed to be mobile so that it could be moved to sites where crop wastes are generated.

As originally conceived, the design, construction and testing of the unit was to cost \$1,250,000, with funding to come from a combination of state (\$500,000) and federal (\$750,000) sources.

The board indicates that approximately \$2,154,000 has been committed to the project to date, including \$1,410,000 in state funds and \$744,000 in federal funds. This is an increase of \$904,000, or more than 70 percent, over the original estimate. Moreover, *the entire amount of the increase has come from state sources.* Another \$341,000 in state funds was expended for studies related to the project.

Field Test Four Years Late. Chapter 1246, Statutes of 1976, required the field demonstration of the unit to be completed by July 1, 1979. Due to a variety of problems including cost increases, expenditure freezes, technical problems, bankruptcy of the prime contractor, and underestimates of full costs, the unit has not yet been fully field tested. Although, the major components of the pyrolyzer were completed over two years ago, significant and costly modifications to it must be made before the field test can be conducted. This is particularly true with respect to the unit's energy system. Board staff estimate that it could take another \$0.5 million to \$1.0 million to fully test the unit.

At the time this analysis was prepared, the status of the mobile pyrolyzer was uncertain. Given the past difficulties and future cost of the project, the board has decided to terminate direct state participation in the mobile pyrolyzer project. Instead, the board issued a Request for Proposals (RFP) under which the unit would be "sold, granted or otherwise transferred" to a qualified proposer able to complete the project. The RFP provides that "the final design and configuration will be the property of the person or company acquiring the unit but shall be available to the public subject to reasonable royalties." Responses to the RFP were required by November 30, 1984.

The board received three responses to its RFP. None of them included an offer to purchase the mobile pyrolyzer outright. By the time this analysis was completed, the board had not acted upon these responses.

Terminating the Project Could Save Up to \$500,000. The board currently has the opportunity to recover up to \$500,000 of the state's \$1.4

million investment in the project by terminating it. If, however, the board negotiates a new contract to continue the project, this cost recovery probably will not be realized.

The \$500,000 that potentially is recoverable has two components. First, the board staff estimates that the state may be able to recover about \$200,000 by *selling* the major components of the mobile pyrolyzer instead of giving the equipment to a private party for the purpose of continuing the project. Second, the board could terminate an existing contract for \$350,000 with Centerline Manufacturing, Incorporated, to field test the unit. According to board staff, only \$30,000 of the \$350,000 has been expended, leaving an unexpended balance of \$320,000. This amount would revert to the General Fund on July 1, 1984, when the Centerline contract expires. The board has indicated, however, that it may ask Centerline to provide services at state expense to the selected respondent as part of the transfer.

Given that any respondent selected to receive the pyrolyzer would, in fact, be getting equipment having a market value of \$200,000 (and which cost the state and federal governments considerably more than this amount) it is not clear why the state should also provide \$320,000 in services to the respondent under the Centerline contract. This further commitment of state funds to the project would seem to be excessive, given the history of the project to date. We recommend that, instead, the unexpended balance of the contract be allowed to revert.

The board's intentions with regard to the pyrolyzer should be known by February, 1984. Consequently, we recommend that the board report prior to budget hearings on (1) the status of the mobile pyrolyzer project, (2) the status of the contract to field test the unit, and (3) an estimate of the savings which could be realized if the mobile pyrolyzer, or components thereof were sold at fair market value.

Implementation of Waste Management Task Force is Uncertain

We recommend that the California Waste Management Board report prior to budget hearings on the implementation of the Waste Management Task Force authorized by Item 3380-011-140 of the 1983 Budget Act.

The 1983 Budget Act, Item 3380-011-140, appropriated \$500,000 from the Environmental License Plate Fund (ELPF) for "the preparation of a comprehensive plan and implementation schedule for nonhazardous waste disposal in California." These funds are available for expenditure over two years. The primary intent of the plan is to identify feasible alternatives to landfill disposal. The plan is being prepared by a Waste Management Task Force, consisting of 5.6 personnel-years of staff at the board.

According to the October 1983 task force work plan, the study was to proceed in two phases. Phase I is intended "to identify the solid waste management needs in California and to evaluate the performance of regulators and providers in meeting those needs." The work plan indicates that a draft report will be completed by May 1, 1984, and that the final report on Phase I will be completed by June 1, 1984. Phase II, which is intended to develop alternatives to the existing landfill disposal system, is to be completed by December 31, 1984.

Our analysis indicates that the board is encountering serious fiscal and program difficulties in attempting to accomplish the intent of the plan.

- *Uncertain Goals and Objectives.* At the time this analysis was prepared, the task force had operated for five months but had not

CALIFORNIA WASTE MANAGEMENT BOARD—Continued

come to a consensus on what the specific goals and objectives of its efforts should be or how they are to be attained. There have been a series of meetings between the board executive staff and the task force which may result in a revised work plan for the task force prior to budget hearings.

- *Deadlines unlikely to be met.* The work plan calls for a final report on Phase I of the project by June 1, 1984. This, however, assumes the prior completion of an extensive survey which, according to task force staff, could extend well beyond June. Consequently, the task force is reconsidering its need for the survey data. Delay of the Phase I report would also delay the Phase II report. As a result, the total cost of the task force may be greater than the amount appropriated.
- *Governor's Budget understates costs.* The cost of the task force probably will exceed the \$500,000 appropriated for it. Of the \$500,000 ELPF appropriation, the budget schedules \$356,000 in 1983-84 and \$144,000 for six months' support in 1984-85. The board, however, estimates that it will spend \$424,000 in support of the task force in 1983-84 (\$393,000 from the ELPF and \$31,000 in General Fund money redirected from other programs). The remaining \$107,000 from the ELPF is \$37,000 less than the \$144,000 budgeted for 1984-85 and includes no support for operating expenses. At the time this analysis was prepared, the board also was considering redirecting six General Fund positions on an as-needed basis to help support the task force staff. It was not clear (1) how many positions would be redirected, (2) what activities the redirected positions would undertake for the task force, and (3) what budgeted workload in the board's ongoing programs would not be accomplished as a result of the redirection.

Because of the program and fiscal concerns discussed above, we recommend that the California Waste Management Board report prior to budget hearings on the implementation of the Waste Management Task Force authorized by Item 3380-011-140 of the 1983 Budget Act. The report should include a statement of the task force's goals and objectives, a detailed work plan describing how those goals and objectives will be met, an expenditure schedule for 1983-84 and 1984-85, including an estimate of expenditures from the ELPF, an estimate of the amount of funds and positions to be redirected from the General Fund to support the task force, and a description of the budgeted activities which will not be completed as a result of the redirection.

Unjustified Contract Funds

We recommend that Item 3380-001-001 be reduced by \$77,000 to eliminate funds requested for unspecified contracts

The budget proposes \$338,000 from the General Fund for contracts in 1984-85. This is \$9,000, or 2.7 percent, more than estimated contract expenditures for the current year.

The termination of the five-year resource recovery program mandated by Ch 1161/77 (SB 65) has greatly reduced the board's need for contract funds. The largest proposed expenditure for 1984-85 is \$186,000 for public awareness contracts. The next largest is \$77,000 in unidentified expenditures.

According to board staff, expenditure of these funds is to be negotiated with the Environmental Affairs Agency. Without an explanation of the

purpose of the expenditure, we have no basis upon which to recommend that these funds be approved. Consequently, we recommend that Item 3380-001-001 be reduced by \$77,000 to eliminate funds requested for unidentified contracts.

**Resources Agency
AIR RESOURCES BOARD**

Item 3400 from the General
Fund and special funds

Budget p. R 38

Requested 1984-85	\$44,127,000
Estimated 1983-84.....	51,453,000
Actual 1982-83	54,054,000
Requested decrease (excluding amount for salary increases) \$7,326,000 (-14.2 percent)	
Total recommended reduction	1,682,000 ^a
Recommendation pending	889,000

^a A total of \$1,154,000 of this amount is recommended for transfer to the Department of Consumer Affairs (Item 1150-008-128).

1984-85 FUNDING BY ITEM AND SOURCE

Item	Description	Fund	Amount
3400-001-001—Support		General	\$4,333,000
3400-001-044—Support		Motor Vehicle Account, State Transportation	28,094,000
3400-001-115—Support		Air Pollution Control	3,646,000
3400-001-128—Regulation of Licensed Smog Sta- tions by Bureau of Automotive Repair		Automotive Repair	1,154,000
3400-001-465—Cogeneration		Energy Resources Programs Account	159,000
3400-001-890—Miscellaneous Support		Federal Trust	(2,495,000)
3400-101-044—Subventions to Local Air Pollution Control Districts		Motor Vehicle Account, State Transportation	6,741,000
Total			<u>\$44,127,000</u>

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

*Analysis
page*

1. Budget reductions in 1983-84. Recommend that the Air Resources Board report prior to hearings on the effect that 1983-84 budget reductions will have on extramural research and stationary source control activities. 565
2. **Crop Loss. Reduce Items 3400-001-001 by \$18,000, 3400-001-044 by \$74,000, and 3400-001-015 by \$6,000.** Recommend reduction of \$98,000 to eliminate support for economic assessment of air pollution damage to forests and agricultural crops because there is no specific work plan and the proposal will not provide useful data for regulatory proceedings. 568
3. **Toxics Program.** Defer recommendation on \$889,000 for additional staff and equipment, pending receipt of clarifica- 569

AIR RESOURCES BOARD—Continued

- tion on the number and type of toxic air contaminants to be identified in 1984-85, and the resources necessary to meet the resulting workload.
4. Surveillance of Emissions from New Motor Vehicles. Recommend that legislation be enacted authorizing the ARB to assess fines and sanctions against auto manufacturers who are delinquent in reimbursing the board for its costs in enforcing emissions standards for new motor vehicles. 571
 5. Biennial Inspection Program. Recommend transfer of \$236,000 for biennial inspection program from the Motor Vehicle Account to the Vehicle Inspection Fund. (Reduce Item 3400-001-044 by \$236,000 and appropriate \$236,000 under a new Item 3400-001-420.) 571
 6. *Change-of-Ownership Program. Eliminate Item 3400-001-128 and augment Item 1150-008-128 by \$1,154,000 (no net change in budget totals).* Recommend that support for administration of the change-of-ownership program be appropriated directly to the Department of Consumer Affairs (DCA), rather than to the ARB, because DCA is the department responsible for the program. 572
 7. *Salary Savings. Reduce Items 3400-001-001 by \$50,000, 3400-001-044 by \$186,000, and 3400-001-115 by \$7,000.* Recommend reduction of \$243,000 to more accurately reflect the board's usual salary savings experience. 573
 8. *Environmental Affairs Agency. Reduce Item 3400-001-001 by \$121,000 and Item 3400-001-044 by \$66,000.* Recommend reduction of \$187,000 to limit proposed support for the Environmental Affairs Agency to the first six months of 1984-85. Recommend that support for the final six months be included in any legislation to establish an Environmental Affairs Agency. 574
 9. Environmental Affairs Agency Staffing. Recommend that the Environmental Affairs Agency report prior to budget hearings on the number, use, and funding of borrowed positions. 575

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 been authorized 548.8 personnel-years in the current year.

OVERVIEW OF THE BUDGET REQUEST

The budget proposes total appropriations of \$44,127,000 from the General Fund and various special funds for support of Air Resources Board activities in 1984-85. This is a decrease of \$7,326,000, or 14 percent, from estimated current-year expenditures. Expenditures by the board will increase, however, by the amount of any salary or staff benefit increases that

may be approved by the Legislature for the budget year.

The budget eliminates \$13,686,000 for the Motor Vehicle Inspection Program (MVIP). This program, which was implemented through a contract with the Department of Consumer Affairs and Hamilton Test Systems, required that most automobiles registered in the South Coast Air Basin be inspected upon change-of-ownership. This program is no longer necessary, due to the implementation of the biennial inspection program under provisions of Ch 894/82 (SB 33). After adjusting for the termination of the MVIP program, the budget proposes an increase of \$6,360,000, or 17 percent, above current-year expenditures.

In addition to the \$44,127,000 of state funds requested for 1984-85, the board proposes to spend \$2,495,000 from federal funds and \$650,000 from reimbursements, bringing total budget-year expenditures from all sources to \$47,272,000. After adjusting for the termination of the Motor Vehicle Inspection program, this is an increase of \$6,045,000, or 15 percent, above estimated total expenditures in the current year.

Significant Budget Changes

Table 1 summarizes the ARB's proposed budget changes for 1984-85. The most significant changes are as follows:

1. **Vehicle Inspection.** A net reduction of \$13,686,000 from the Motor Vehicle Inspection Fund due to termination of the Motor Vehicle Inspection Program (MVIP) in the South Coast Air Basin. The current contract with Hamilton Test Services for change-of-ownership inspections expires in March 1984 and will be phased-out as the biennial inspection program authorized by Ch 892/82 (SB 33) is implemented. The positions and funding requested for the implementation of SB 33 are budgeted in the Bureau of Automotive Repairs within the Department of Consumer Affairs, and are discussed as part of our analysis of Item 1150-008-420.

2. **Acid Deposition.** An increase of \$2,000,000 and 5.7 personnel-years for second-year funding of a five-year research and monitoring program on acid deposition pursuant to Ch 1473/82 (AB 2752).

3. **Extramural Research.** An increase of \$900,000, including \$762,000 for air pollution-related research contracts and \$118,000 for 2.4 personnel-years and \$20,000 for related equipment.

4. **Toxic Air Contaminants.** An increase of \$889,000 for 5.7 personnel-years, equipment, and contract services for the identification and control of toxic air contaminants.

5. **In-Use Vehicles.** An increase of \$139,000 in contract funds to expand the in-use vehicle testing program (testing of vehicle emissions after sale) to emphasize specific vehicle models and emission control components that produce the largest excess emissions.

6. **Nonmethane Hydrocarbons.** An increase of \$157,000 for equipment and contract services to more accurately measure the amount of hydrocarbon compounds (other than methane) in the air. These compounds are major contributors to ozone formation.

7. **Annualized Cost of Salary Increases Granted in 1983-84.** An increase of \$569,000 for the full-year cost in 1984-85 of salary increases granted during 1983-84.

8. **Operational Efficiencies.** The budget indicates that 9.9 positions, or 1.6 percent of the board's total, are "proposed for reduction to permanently capture operational efficiencies." Although the positions, all of which were temporary help, have been eliminated, the funds have been retained and redirected to staff benefits and operating expenses.

Table 1
Air Resources Board^a
Proposed Budget Changes
(in thousands)

	General Fund	Motor Vehicle Account	Auto- motive Repair Fund	Air Pollution Control Fund	Vehicle Inspection Fund	Energy Resources Programs Account	Federal Fund	Reim- burse- ments	Total
1983-84 Base Budget (Revised)	\$3,759	\$30,688	\$1,030	\$1,903	\$13,922	\$151	\$2,831	\$629	\$54,913
A. Significant Program Changes									
1. Termination of change-of-ownership program in South Coast Air Basin	—	236	—	—	-13,922	—	—	—	-13,686
2. Acid deposition research and monitoring	—	1,000	—	1,000	—	—	—	—	2,000
3. Extramural research	174	695	—	31	—	—	—	—	900
4. Toxic air contaminants monitoring equipment	77	307	—	505	—	—	—	—	889
5. In-use vehicle testing	—	139	—	—	—	—	—	—	139
6. Nonmethane hydrocarbon testing	9	34	—	114	—	—	—	—	157
7. Enforcement of fuel emissions standards	17	69	—	38	—	—	—	—	124
8. Offshore oil studies	17	70	—	—	—	—	—	—	87
9. Assessment of crop losses	18	74	—	6	—	—	—	—	98
10. Monitoring of Bakersfield oil emissions	3	12	—	—	—	—	—	—	15
B. Workload and Administrative Changes									
1. Full year cost of 1983-84 salary increase	82	425	—	21	—	4	28	9	569
2. Adjustment for one-time carryover	—	—	—	—	—	—	-425	—	-425
3. Subventions to local districts	—	132	—	—	—	—	—	—	132
4. Miscellaneous (including price increase, merit salary increases and pro rata adjustments)	177	954	124	28	—	4	61	12	1,360
1984-85 Proposed Budget	\$4,333	\$34,835	\$1,154	\$3,646	—	\$159	\$2,495	\$650	\$47,272
Change from 1983-84	\$574	\$4,147	\$124	\$1,743	-\$13,922	\$8	-\$336	\$21	-\$7,641

^a Includes support for Environmental Affairs Agency.

ANALYSIS AND RECOMMENDATIONS

Impact of 1983-84 Budget Reductions is Unknown

We recommend that the Air Resources Board report prior to budget hearings on the effect of 1983-84 reductions on extramural research and stationary source control activities.

The 1983 Budget Act reflected significant reductions to the Air Resources Board (ARB) budget, including \$3,460,000 for extramural research projects (\$3,005,000 for research contracts and \$455,000 for ten positions) and \$1,512,000 (34 positions) for work involved in the control of air pollution from stationary sources. In preparing our analysis of the ARB's proposed budget for 1984-85, we sought to assess the impact of these reductions. We had only limited success, however, because the information needed to make a meaningful assessment was not available.

Research Reductions. The ARB is required by statute to conduct and coordinate research on a variety of vehicular and nonvehicular air pollution problems, including the identification and control of sources of air pollution, the effects of air pollution on human health, plants and animals, the consequences of alternative solutions to specific air pollution problems, and the identification of knowledge gaps. The Haagen-Smit Laboratory, located in El Monte, provides the ARB with its own sampling and analysis capability. This capability is augmented by an extramural research program under which the board contracts with outside entities, including the University of California, to conduct specific research studies. Table 2 lists the budgeted and actual expenditures for extramural research contracts since 1979-80.

Table 2
Air Resources Board
Extramural Research Contract Expenditures
1979-80 through 1984-85
(in thousands)

	<i>Budgeted</i>	<i>Actual</i>	<i>Difference</i>
1979-80.....	\$3,247	\$3,247	—
1980-81.....	3,719	3,719	—
1981-82.....	4,230	3,930	-\$300
1982-83.....	5,995	4,932	-1,063
1983-84.....	2,990	2,990 (est)	—
1984-85 (proposed)	3,752	—	—

As Table 2 indicates, the amounts *budgeted* and expended for extramural research increased consistently from 1979-80 through 1982-83. The increases in expenditures would have been larger had it not been for the freezes on contract expenditures imposed during 1981-82 and 1982-83. The 1983 Budget Act reduced contract expenditures by \$3,005,000 from the 1982-83 budgeted level.

The 1984-85 budget proposes to partially restore the funds eliminated in the current-year by increasing support for extramural research by \$900,000 (\$762,000 for extramural contracts and \$138,000 for 2.5 positions to administer and coordinate the contracts). In addition, the budget proposes to augment the acid deposition research and monitoring program by \$2 million, providing a total of \$4 million (\$3,059,000 for research con-

AIR RESOURCES BOARD—Continued

tracts and \$941,000 for 17.5 positions and related expenses). Although this program focuses on acid deposition research, it also has a direct relationship to the board's ongoing extramural research program on air pollution.

The Legislature expressed its interest in the effects of funding reductions for research made during the current year by adopting the following language in the *Supplemental Report of the 1983 Budget Act*:

"The Air Resources Board shall report to the Legislature by February 1, 1984, regarding the impact of the \$3,460,000 reduction in research funds on the development of control measures and other activities which are the responsibility of the local districts. The report shall address the ability of the local districts to assume these research activities."

At the time our analysis was prepared, the ARB had not completed the report and the date of completion was uncertain. Because research is a multi-year activity having numerous components, we recommend that the board also report prior to budget hearings on (a) the impact of the 1981-82 and 1982-83 contract freezes on the extramural research programs, and (b) the effect on the overall extramural research program of increases in the acid deposition program.

Stationary Source Control. The Governor's Budget for 1983-84 proposed reductions of \$1,644,000 and 39 positions in support for ARB in order to decrease the state's role in controlling air pollution from stationary sources. The Legislature rejected the proposal and restored full funding for the board's stationary source control work in the 1983 Budget Act language. The Governor, however, in signing the act, vetoed \$1,512,000 (34 positions) for stationary source control, essentially implementing the cut he had proposed.

Generally, it appears that there are at least three ways in which air quality control activities may be affected by the reduction. First, there may be a slowdown in the development of new ways to control air pollution from stationary sources. Second, there may be a reduction in the preparation of new rules, processing of permit applications and review of environmental impact reports, plans and similar documents related to local district activities. Third, there may be an overall reduction in the amount of enforcement-related testing and inspection performed in the state. The actual effects of the reduction will largely depend on the degree to which the local air pollution control districts increase their efforts and offset the reduction.

The Legislature should know what the effects of the reduction in funding for the ARB's stationary source control work will be on state and local air pollution control activities before it acts on the board's budget. Accordingly, we recommend that the ARB report prior to budget hearings on the effect of the reductions in ARB assistance to local districts, giving particular attention to (a) enforcement and (b) the development of control measures for stationary sources. The report should compare the level of activity during the first six months of 1983-84 with the level of activity during the first six months of 1982-83. The report should specifically address (a) the number of control measures developed statewide, (b) the number of compliance source tests performed by districts, and (c) the number of inspections of vapor recovery systems by district.

Both the ARB and the California Air Pollution Control Officers Association (CAPCOA) have indicated that they will be able to provide information on the effect of the budget reductions by the time of budget hearings.

Implementation of Acid Deposition Program

"Acid deposition" is the process whereby acidic air pollutants are deposited on the ground, in lakes or on vegetation via gases, particles, or rainfall. Chapter 1473, Statutes of 1982 (the Kapiloff Acid Deposition Act), directed the ARB to design and implement a comprehensive five-year acid deposition research and monitoring program. The 1983 Budget Act appropriated \$2 million—\$1 million from Motor Vehicle Account and \$1 million from fee revenue in the Air Pollution Control Fund (APCF) for the first-year costs of the program.

Chapter 1473 requires the state board to report to the Governor and the Legislature no later than January 1, 1984, and annually thereafter, on the activities of the acid deposition program. The first report was completed in December 1983 and provides an outline of initial research priorities, a detailed plan for 1983-84 and a more general five-year research plan for the duration of the project. Of the \$2 million appropriated in the current year, \$605,000 will be spent for research on acid deposition and atmospheric processes, \$864,000 will be spent on aquatic, terrestrial and health effects, \$214,000 will go for the contract management and \$317,000 will be used for a variety of other tasks including sample analysis, data interpretation and monitoring of acid deposition. No research contracts had been signed at the time our analysis was completed.

Future Fee Revenue Uncertain

Chapter 1473 authorizes the ARB to require local air pollution control districts to impose additional variance and permit fees on major stationary sources (sources which emit 1,000 tons or more per year of sulfur or nitrogen oxides). Chapter 1473 places the following three limits on the emission fees for acid deposition:

1. The fee may not exceed \$.0025 per pound of sulfur or nitrogen oxides emitted.
2. The total fee revenue collected, exclusive of district administration costs, may not exceed \$1 million for 1983-84 and \$2 million for 1984-85 or any year thereafter.
3. The total fee revenue collected in any fiscal year, exclusive of district administrative costs, may not exceed the amount appropriated by the Legislature from the Motor Vehicle Account (MVA) or the Environmental License Plate Fund (ELPF).

On July 29, 1983, the ARB adopted regulations requiring collection of fees in 1983-84 by 10 districts (those with major emission sources). In order to collect \$1 million, the fee was set at \$.00185 per pound of emission, exclusive of district administration costs. The estimate of revenues was based on 1982 actual emissions.

The 1984-85 budget includes \$4 million for the acid deposition program (\$2 million from the MVA and \$2 million from the emission fees in the APCF). According to the ARB, however, the maximum statutory fee (\$.0025 per pound) will raise only \$1.3 million. The budget assumes that the difference—\$700,000—can be made up by using a projected one-time surplus in the APCF. Although adequate support appears to be available for 1984-85, a number of issues remained unresolved regarding future-year funding for acid deposition including the following:

- **Future Board Action.** The ARB must adopt new fee regulations (including regulations setting the fee level) for 1984-85 and future years.

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- **Future Fee Revenues.** Revenues in 1984-85 and future years will depend on amount of emissions from major sources and local district administrative costs. Neither factor was known at the time our analysis was prepared.
- **Future Program Level.** The budget proposal includes several multi-year studies which will require continued funding beyond 1984-85. A shortfall in fee collections could require more support from other state funds, premature termination of existing studies, or deferral of other studies outlined in the board's five-year plan.

Chapter 1473 sought to provide a stable funding mechanism for a five-year acid deposition research program by combining fee revenue and state support. For the reasons outlined above, it is not clear that the goal of stability has been achieved. This issue should be addressed by the ARB.

Crop Loss Proposal Insufficient to Meet Objectives

We recommend a reduction of \$98,000 to eliminate support for economic assessment of air pollution damage to agricultural crops and forests because the proposal probably will not provide useful data for regulatory proceedings. (Reduce Items 3400-001-001 by \$18,000, 3400-001-044 by \$74,000, and 3400-001-115 by \$6,000.)

The budget proposes \$98,000 for the first year of a new ongoing program to assess the effects of air pollution on forests and field crops. The proposed funding sources are the MVA (\$74,000), the General Fund (\$18,000), and the APCF (\$6,000). According to the board, the money will fund a contract to train observers in the assessment of crop damage.

The ARB, the Department of Food and Agriculture, and the federal government have ongoing research efforts designed to study the effects of air pollution on crops under controlled conditions. According to ARB staff, the budget augmentation will be used to assess actual air pollution damage to forests and crops in order to refine the estimates of statewide economic damage to agriculture and forestry from air pollution. This information, in turn, would be used to refine ambient air standards.

Our analysis of the proposal indicates that it is not justified for the following reasons.

1. **Lack of a Specific Program Plan, Objectives, or Budget.** The proposal *assumes* that field observers can be adequately trained to recognize and assess air pollution damage *and* differentiate it from damage due to unusual water, disease, pesticide, fertilizer, or soil conditions. The proposal does not include specific program objectives, such as how, where, or by whom the crop assessment will be made, nor does it state the number of people to be trained and the cost to train them. Without such information, it is impossible to determine the level of support necessary to meet the program objectives.

2. **Use in Regulatory Proceedings.** There is no question that air pollution causes crop damage and, in turn, leads to economic loss. The board's proposal indicates that present estimates of annual crop loss from air pollution in California vary from \$150 million to \$1 billion annually, and at times air pollution may result in losses to specific crops of between 10 percent and 15 percent. The ARB's proposal seeks to refine those estimates in order to provide a better basis for weighing the need for and cost of pollution controls against the economic damage to crops.

Although these assessments may narrow the estimated range of economic loss, we question their usefulness for regulatory purposes. Regula-

tory actions require data that can withstand scientific challenge. Because these crop assessments will be based on field observations that may be affected by many factors other than air pollution, the usefulness of this information for regulatory purposes is doubtful.

3. *Alternatives.* Secondary objectives for the project include field validation of the ongoing laboratory research. If the board wishes to validate these studies with field research, the work could be accomplished within the board's \$3.7 million extramural research budget.

For these reasons, we recommend that the proposal be denied, for a savings of \$98,000.

Clarification Needed for Toxics Priorities and Workload

We defer recommendation on \$889,000 requested for additional staff and equipment for ARB's toxics program, pending clarification on the number and type of air contaminants to be identified and studied in 1984-85 and the resources necessary to accomplish this work.

The ARB requests \$3,481,000 for programs related to toxic air contaminants in 1984-85. As summarized in Table 3, this amount includes \$1,507,000 for 30.4 existing staff positions, \$1,085,000 for extramural research studies, and \$889,000 for new equipment (\$505,000) and 6 additional positions (\$384,000). The amount allocated to toxics work from extramural research may vary, depending on the final allocation of contracts by the ARB. In total, the request represents an increase of \$1,364,000, or 64 percent, over current-year expenditures.

Table 3
Air Resources Board
Toxics Program Expenditures
1983-84 and 1984-85
(in thousands)

	<i>Estimated</i> 1983-84		<i>Proposed</i> 1984-85		<i>Difference</i>	
	<i>Expenditures</i>	<i>Positions</i>	<i>Expenditures</i>	<i>Positions</i>	<i>Expenditures</i>	<i>Positions</i>
Existing program staff.....	\$1,452	30.4	\$1,507	30.4	\$55	6.0
Extramural research	665	—	1,085	—	420	—
Budget change proposal	—	—	889	6.0	889	6.0
Total.....	\$2,117	30.4	\$3,481	36.4	\$1,364	6.0

According to the ARB, most of the current-year efforts of the program staff have been taken up by three activities: (1) responding to specific toxic incidents, (2) ambient air testing, and (3) identification of toxic compounds. The \$889,000 in new program funds for 1984-85 (\$77,000 from the General Fund, \$307,000 from the MVA, and \$505,000 from the APCF), is requested primarily to establish a new laboratory capability in Sacramento to analyze ambient air and emission source samples collected in Northern and Central California. (ARB facilities already exist at the Haagen-Smit Laboratory in El Monte for Southern California.) Funds also are proposed for (a) one additional personnel-year and equipment for the Haagen-Smit Laboratory and (b) support services for the Scientific Review Panel that has been statutorily established to advise the board on its toxics program.

New Legislation Clarifies Roles. We have pointed out in previous *Analyses* that disagreements and confusion exist between the ARB, the Department of Health Services (DHS), and local air pollution control

AIR RESOURCES BOARD—Continued

districts over the specific responsibilities of each in the development of emission standards for hazardous materials. These difficulties probably have contributed to the slow progress in the development of such standards. Recently, the Legislature enacted Ch 1047/83 (AB 1807), which better defines the roles of the ARB, DHS, and local districts in identifying and controlling toxic air contaminants.

Effective January 1, 1984, Ch 1047/83 provides that the ARB is to work with DHS in identifying and evaluating the effects of toxic air contaminants. The assignment of priorities for evaluation and regulation is to be based on a number of factors including the danger to public health, the persistence in the atmosphere, and the concentrations in the community of various toxic air contaminants. The state board is responsible for adopting control measures to reduce emissions of toxic air contaminants, while local districts are responsible for enacting, implementing, and enforcing specific control measures within their jurisdictions.

Although Chapter 1047 provides a structure for the identification and control of toxic air contaminants, policy and workload questions remain that must be resolved if Chapter 1047 is to be implemented successfully.

- **No Priority on Compounds to be Studied.** ARB staff have identified 50 toxic compounds that potentially fall under the provisions of Chapter 1047. At the time our analysis was prepared, the board had not set priorities for the identification process, nor had it determined which and how many compounds were to be identified during 1984–85. Without this basic information, it is impossible to evaluate the board's workload needs for the toxics program.
- **Unknown Workload for DHS.** Chapter 1047 requires the department, at the request of the ARB, to evaluate the health effects of, and prepare recommendations regarding, toxic air contaminants. Without policy decisions by the ARB on the specific contaminants to be evaluated, we cannot determine the adequacy of the department's budget request.
- **Undefined Workload for ARB.** Until the board makes further decisions, the ARB's staff and equipment needs cannot be determined. Board staff have indicated that once the final decisions are made by the ARB, the toxics staff of 30.4 may be reorganized and their tasks revised. At the time this *Analysis* was prepared, there were no definitive workload data for those positions. The same is true of the request to establish a capability for toxics analysis in northern and central California. Staff at the ARB indicated that the request generally was based on the experience of the Haagen-Smit Laboratory in Southern California. Staff could not, however, provide data about the number and type of compounds to be tested, the number of sites to be visited, and other relevant information necessary to evaluate the budget request.

We recognize the need for adequate staff and equipment to successfully implement the process established by Chapter 1047. However, without information on board priorities and the workload needs associated with these priorities, we cannot evaluate ARB's budget request.

The ARB met on January 26, 1984, to set the policy and priorities for the identification and control of toxic contaminants. Staff estimates that the relevant workload data should be available within a month after the board hearings. Pending clarification of the board's program for toxics, we with-

hold recommendation on the \$889,000 requested for additional staff and equipment.

Delinquent Payments Should be Collected

We recommend that legislation be enacted authorizing the Air Resources Board (ARB) to assess penalties and/or sanctions against auto manufacturers who do not make required payments to the ARB on time.

Under existing law, no new motor vehicle may be offered for sale in California unless it meets the state's emissions standards. The ARB attempts to ensure compliance with the standards in a number of ways, including certification of new vehicle exhaust and evaporative control systems, monitoring manufacturers' quality control, and inspecting dealerships for proper sale and service of new vehicles. These activities are budgeted at \$372,000 in the current year and \$389,000 in 1984-85.

The program is intended to be self-supporting. The ARB bills each manufacturer for all costs, direct and indirect, associated with assuring that its vehicles comply with state standards. Payments, however, are not being made on a timely basis. As a result of the shortfall in manufacturer payments, the board has had to support a portion of the program's cost using state funds budgeted for other purposes.

According to a fiscal management audit by the Department of Finance, as of September 1983, 47 invoices totaling \$189,916 had not been paid for over one year. *Some of these invoices dated back to 1976.* The ARB has indicated that since the audit was completed, the amount outstanding has been reduced to \$139,242, all of it due from foreign-based manufacturers.

Existing law authorizes no penalties, fines, or sanctions for late payments. Consequently, the board has no mechanism for ensuring that payments are made on time.

Accordingly, we recommend that legislation be enacted authorizing the ARB to assess penalties and/or sanctions for late payments by auto manufacturers under the board's program for "surveillance of emissions from new motor vehicles." The legislation should authorize the ARB to establish penalties by regulation, and it should provide (1) an opportunity for auto manufacturers to review and challenge ARB cost estimates, (2) a reasonable period of notice before payments are declared delinquent, (3) financial penalties on delinquent accounts, and (4) authority to withhold future certification of new cars from the delinquent manufacturer for extreme or repeated cases of noncompliance.

Inappropriate Fund Source for Biennial Vehicle Inspection Program

We recommend that (1) Item 3400-001-044 be reduced by \$236,000 and (2) \$236,000 be appropriated under a new Item 3400-001-420, in order to transfer support for the biennial vehicle inspection program from the Motor Vehicle Account to the Vehicle Inspection Fund.

Chapter 892, Statutes of 1982 (SB 33), establishes a biennial vehicle inspection and maintenance program and provides for the inspection of vehicles in all urban nonattainment areas requesting such a program. Inspections are scheduled to begin in March 1984 in all major urban areas except Fresno. The Bureau of Automotive Repairs within the Department of Consumer Affairs has been designated as the lead agency for implementation of the biennial inspection program. (Implementation of the program is discussed as part of our analysis of Item 1150-008-420).

Implementation of the biennial inspection program will result in the phase-out of the existing change-of-ownership inspection program in the

AIR RESOURCES BOARD—Continued

South Coast Air Basin. This accounts for a \$13.9 million reduction in the amount requested from the Vehicle Inspection Fund for 1984-85.

Although Chapter 892 assigns lead responsibility for the biennial inspection program to the Department of Consumer Affairs, the ARB will have a number of ongoing responsibilities under the program. These are outlined in a memorandum of understanding (MOU) between the Department of Consumer Affairs, the Department of Motor Vehicles, and the Air Resources Board. The budget proposes \$236,000 from the Motor Vehicle Account to support ARB's workload associated with the MOU.

We have reviewed the workload, and based on this review we conclude that the amount requested is reasonable. The Motor Vehicle Account, however, is not the appropriate funding source for these activities.

The biennial vehicle inspection program is intended to be self-supporting, primarily from fees collected from licensed testing and repair stations and deposited in the Vehicle Inspection Fund. The ARB's activities under the MOU are directly related to the biennial vehicle inspection program and should be paid from the Vehicle Inspection Fund. Therefore, we recommend that (1) Item 3400-001-044 be reduced by \$236,000 to eliminate support for the program from the Motor Vehicle Account, and (2) an equal amount be appropriated from the Vehicle Inspection Fund under a new Item 3400-001-420. Conforming changes should be made in the schedule of Item 3400-001-001, as follows:

"3400-001-420—For support of state Air Resources Board to be transferred to Item 3400-001-001, payable from the Vehicle Inspection Fund		236,000
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Provisions:

1. Funds appropriated in this item are for purposes of Chapter 5 (commencing with Section 44000), Division 26, of the Health and Safety Code."

Support for Change-of-Ownership Program Should be Appropriated Directly

We recommend that \$1,154,000 requested for administration of the change-of-ownership vehicle inspection program be appropriated directly to the Department of Consumer Affairs (DCA), rather than to the Air Resources Board, because DCA is the agency responsible for the program. (Eliminate Item 3400-001-128 and correspondingly increase Item 1150-008-128.)

The Air Resources Board (ARB) has received an appropriation from the Automotive Repair Fund annually since 1974-75, when the administration sought to centralize air pollution control funds in the ARB budget. The funds are used to reimburse the Bureau of Automotive Repairs within the Department of Consumer Affairs (DCA) for its costs associated with the change-of-ownership vehicle inspection program.

The ARB does not spend any of this money and has no direct responsibility over the program. Accordingly, we believe the appropriation to the ARB is unnecessary, and that it should be made to DCA directly because:

- (1) Chapter 892/82 (SB 33) designates DCA as the lead agency for the biennial vehicle inspection program.
- (2) DCA is the agency responsible for administering the change-of-ownership program.
- (3) It would eliminate unnecessary processing of the reimbursements.

For these reasons we recommend elimination of Item 3400-001-128 (and a conforming change in the schedule of Item 3400-001-001) and a corresponding increase in Item 1150-008-128 for the Department of Consumer Affairs, in order to transfer direct support of the change-of-ownership program to the Department of Consumer Affairs.

Salary Savings is Understated

We recommend a reduction of \$243,000 to more accurately reflect the board's usual salary savings experience (Reduce Item 3400-001-001 by \$50,000, Item 3400-001-044 by \$186,000 and Item 3400-001-115 by \$7,000).

In theory, each agency could receive the full amount needed to support every budgeted position. In practice, this is not necessary or appropriate. Because *all* positions are not filled 100 percent of the time, and adjustment factor—known as “salary savings”—is subtracted from each budget by the Department of Finance in determining the appropriation to be proposed in the Governor's Budget. Salary savings occurs due to vacancies in positions, delays in filling authorized positions and employee turnover (where an employee leaves and is replaced by another employee at a lower salary).

The 1983-84 budget, as introduced, proposed a salary savings amount of \$827,000, or 5.7 percent, of ARB's total salaries and wages. Because the budget also proposed the elimination of 52 positions, we pointed out that it was unlikely that sufficient *additional* vacancies or employee turnover would occur to produce the normal level of salary savings. Consequently, the Legislature reduced the provision for salary savings to \$304,000, or approximately 2 percent of total salary and wages.

The reduction in the allowance for salary savings in the current year was done in response to a unique situation. The 1984-85 budget, however, proposes to maintain the level of salary savings at about 2.0 percent of total salaries and wages (\$343,000). Our analysis indicates that this amount is too low and should be increased to reflect usual salary savings experience. According to board staff, the employee dislocations caused by position reductions in the current-year have been accommodated and will have no direct impact in 1984-85. Consequently, we recommend that the salary savings factor be increased to 3.5 percent of total salaries and wages in 1984-85, for a savings of \$243,000. The \$243,000 increase in salary savings should be reflected in the budget as follows: reduce Item 3400-001-001 (General Fund) by \$50,000, Item 3400-001-044 (Motor Vehicle Account) by \$186,000 and Item 3400-001-115 (Air Pollution Control Fund) by \$7,000.

Our recommended salary savings factor is lower than the factors used for the other two environmental boards—the California Waste Management Board (5.9 percent) and the State Water Resources Control Board (5.2 percent). We believe, however, that this is in keeping with the ARB's actual experience over the past four years.

Environmental Affairs Agency

The proposed budget for the Air Resources Board (ARB) includes a total of \$374,000 (\$241,000 from the General Fund and \$133,000 from the Motor Vehicle Account) for support of the Environmental Affairs Agency. This is an increase of \$14,000, or 3.9 percent, over estimated current-year expenditures. Staffing for the agency is proposed at 5.6 personnel-years, the same level as in the current year. This does not include the Secretary of Environmental Affairs, who is separately funded as Chairman of the Air Resources Board.

AIR RESOURCES BOARD—Continued**Statutory Authorization Required**

We recommend a reduction of \$187,000 to limit support for the Environmental Affairs Agency to the first six months of 1984-85. We further recommend that support for the final six months be included in any legislation enacted to establish an Environmental Affairs Agency.

The Environmental Affairs Agency is not authorized in statute. Existing law does, however, assign to the chairperson of the Air Resources Board an advisory and coordinating role in the environmental area. Specifically, Ch 982 (SB 900), designates the chairperson as the "principal advisor to the Governor on . . . major policy and program matters on environmental protection." It further states that, "the chairperson shall also serve as the principal communications link for the effective transmission of policy problems and discussions to the Governor relating to the activities of the State Water Resources Control Board and the State Solid Waste Management Board, in addition to serving as the Governor's chief air quality policy spokesperson."

Although all three environmental boards legally are part of the Resources Agency, and thus subject to the authority of the Secretary of Resources, in practice they report directly to the chairperson (in his capacity as Secretary of Environmental Affairs) who exercises direct budget and policy authority over them. In addition, the Governor has directed that the chairperson serve as (1) chair of the Hazardous Substances Task Force and (2) chief policy coordinator regarding the state's role in the planning, permitting, and review of the offshore oil projects.

The relationship between the Secretary of Resources and the chairperson of the ARB, as a practical matter, reflects gubernatorial preference, rather than law. As such, the relationship can lead to problems. These include the following:

- **Lack of Statutory Authority.** As discussed above, there is no existing statute authorizing a Secretary for Environmental Affairs or an appropriation to support an Environmental Affairs Agency. Consequently, the Legislature does not have an adequate basis for holding the agency accountable for its actions.
- **Conflicting Lines of Authority.** The existing relationships have created bureaucratic schizophrenia for certain state entities, particularly the three boards that report to the administratively created Environmental Affairs Agency, but are directed by statute to report to the Secretary of Resources. Other commissions must report to the Secretary of Environmental Affairs on selected issues, and the existing arrangement creates problems for them as well. For example, both the California Coastal Commission and State Lands Commission generally must report to the Secretary of Resources. These same commissions must also report to the Secretary for Environmental Affairs for coordination of their responsibilities related to offshore oil issues. The Environmental Affairs Agency, however, has no direct influence on the budgets of these two commissions.
- **Potential Conflict of Interest.** As Secretary of Environmental Affairs, the chairperson of the ARB has policy and budget responsibility over both the ARB and the other two environmental boards. This can result in a conflict of interest. For example, the chairperson of the ARB must be an advocate of the ARB's budget proposals, whereas the

agency secretary must weigh the relative needs of all three environmental boards in accordance with the overall policies of the administration.

- **Amount of Workload.** The administration has established a separate agency with ongoing responsibility for only three boards. Our review of existing workload indicates that most of the agency's staff time during the past year was devoted to the coordination of issues related to offshore projects and hazardous substances. These, however, may not be major long-term responsibilities. Consequently, unless additional ongoing responsibilities, such as the Toxic Substances Division currently within the Department of Health Services, are transferred to the agency, the workload associated with the three boards probably does not justify creation of a fully staffed additional agency. (The administration's overall administration of hazardous substances is discussed in the Perspectives and Issues section.)

During 1983, legislation was introduced to ameliorate these problems by statutorily establishing the Environmental Affairs Agency. The administration's sponsorship of this legislation subsequently was withdrawn and the legislation was not enacted.

We continue to believe that all activities funded in the Budget should be authorized in statute. Accordingly, we recommend that only six months' funding for the Environmental Affairs Agency be appropriated to the ARB in the 1984 Budget Act. This would allow the Secretary to continue carrying out his responsibilities while the Legislature considers legislation to establish the agency. Funding for the remaining six months of 1984-85 should be provided in legislation that establishes the Environmental Affairs Agency. Consequently, we recommend that Item 3400-001-001 be reduced by \$121,000 and Item 3400-001-044 be reduced by \$66,000, for a total reduction of \$187,000.

Staffing Understated

We recommend that prior to budget hearings the Environmental Affairs Agency report to the Legislature on positions borrowed in 1983-84 and 1984-85. The report should include the duties of the positions, the full costs of the positions (including overhead), and the source of funds used to pay for these positions.

The budget proposes 5.6 personnel-years for support of the agency in 1984-85, the same number as in the current year. (The staffing level for the agency excludes the Secretary, who is separately funded as Chairman of the Air Resources Board.) This, however, significantly understates the staff available to the agency. For example, the agency is using (1) at least one position from the Department of Health Services for work on the Hazardous Substances Task Force and (2) at least six positions from the Governor's Office of Planning and Research (OPR) for work related to the planning, permitting, and review of offshore drilling projects. In addition, the agency receives program support from ARB staff. The extent of the ARB support, however, is difficult to estimate because of the dual role performed by the ARB Chair/Secretary for Environmental Affairs.

Because these positions support the activities of the agency, the Legislature should be aware of their full costs and functions. This is especially true if legislation authorizing the agency and clarifying its functions is to be enacted. Accordingly, we recommend that the Environmental Affairs Agency report prior to budget hearings on (1) the number of positions

AIR RESOURCES BOARD—Continued

borrowed in 1983-84 and proposed for 1984-85, (2) the duties of the positions, and (3) the full cost (including overhead) and source of funds for the positions.

**Resources Agency
COLORADO RIVER BOARD**

Item 3460 from the General
Fund and the Environmental
License Plate Fund

Budget p. R 49

Requested 1984-85	\$219,000
Estimated 1983-84.....	188,000
Actual 1982-83	154,000
Requested increase (excluding amount for salary increases) \$31,000 (+16.5 percent)	
Total recommended reduction	\$20,000

1984-85 FUNDING BY ITEM AND SOURCE

Item	Description	Fund	Amount
3460-001-001—Support		General	\$211,000
3460-001-140—Salinity Control		Environmental License Plate	8,000
Total			\$219,000

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

*Analysis
page*

1. *New Position. Reduce Item 3460-001-001 by \$20,000.* 577
Recommend reduction to delete funds for a limited-term position due to lack of additional workload.

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 occasionally 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 10 members appointed by the Governor. Six members are appointed from the following agencies with entitlements to Colorado River water: Palo Verde Irrigation District, Imperial Irrigation District, Coachella Valley 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 two public representatives.

The six water agencies listed above support approximately two-thirds of the board's budget and the state provides the remainder. The board is

located in Los Angeles and has 10.6 authorized personnel-years.

OVERVIEW OF THE BUDGET REQUEST

The Governor's Budget proposes two state appropriations totaling \$219,000 for support of the Colorado River Board in 1984-85, consisting of \$211,000 from the General Fund and \$8,000 from the Environmental License Plate Fund (ELPF). This is an increase of \$31,000, or 16 percent, above estimated current-year expenditures of state funds. This amount will increase by the amount of any additional salary or staff benefit increases approved for the budget year.

The primary components of the proposed increase are (1) \$20,000 from the General Fund to establish a limited-term position for the first half of 1984-85, and (2) \$3,000 from the General Fund to provide a salary increase for the executive secretary of the board. The remaining \$8,000 is for price increases and the full-year cost of employee salary and benefit increases granted in 1983-84. In addition, the board requests continuing \$8,000 in ELPF funding to cover the state's share of the seven-state Colorado River Basin Salinity Control Forum.

The total proposed 1984-85 budget for the board from all funds is \$650,000. This amount consists of the requested state appropriations totaling \$219,000 (34 percent) and \$431,000 in reimbursements from the six water agencies (66 percent).

ANALYSIS AND RECOMMENDATIONS

New Position Unjustified

We recommend a reduction of \$20,000 from the General Fund to delete funds requested for a new position due to a lack of additional workload.

The Colorado River Board plans to establish a limited-term principal engineer position for a one-year period commencing January 1, 1984, and ending December 31, 1984. The full-year cost of this position is \$60,000, including benefits. During 1983-84, the position would be fully supported by reimbursements of \$30,000 from the six participating water agencies. The budget requests \$20,000 from the General Fund to cover two-thirds of the cost of this position for the first six months of 1984-85, with the remaining one-third, or \$10,000, to come from reimbursements.

The board has based its request for the position on the need to complete additional high-priority activities and studies. The board also claims that establishment of the one-year position is warranted because the current principal engineer plans to retire. At the end of the one-year period, the board anticipates that the individual filling the limited-term position would assume the board's full-time principal engineer position.

Our analysis indicates that the proposed workload to be assigned to the new position consists of ongoing activities and studies and does not represent an increase in the workload of the board over the current level. In addition, the board has not presented any justification for hiring a replacement for its principal engineer a year before his position will become vacant. For these reasons, we recommend that \$20,000 to fund this position be deleted from Item 3461-001-001.

Resources Agency
DEPARTMENT OF CONSERVATION

Item 3480 from the General
Fund and various other funds

Budget p. R 50

Requested 1984-85	\$13,975,000
Estimated 1983-84	14,006,000
Actual 1982-83	12,908,000
Requested decrease (excluding amount for salary increases) \$31,000 (-0.2 percent)	
Total recommended reduction	546,000

1984-85 FUNDING BY ITEM AND SOURCE

Item	Description	Fund	Amount
3480-001-001—Support		General	\$10,602,000
3480-001-035—Surface Mining and Reclamation Program		Surface Mining and Reclamation Account, General	1,241,000
3480-001-042—California Institute of Technology Seismograph Network		State Highway Account, State Transportation	12,000
3480-001-144—California Institute of Technology Seismograph Network		California Water	12,000
3480-001-398—Strong-Motion Instrumentation		Strong Motion Instrumentation Program	1,658,000
3480-001-492—Farmlands Mapping		Farmlands Mapping Account, General	450,000
3480-001-890—Geothermal Resource Investigation Programs		Federal Trust	(136,000)
Total			\$13,975,000

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

*Analysis
page*

1. *California Resources Information System (CRIS)*. Reduce reimbursements by \$263,000. Recommend deletion of \$250,000 in reimbursements and 2.8 positions assigned to the CRIS program because it is clear that the program cannot be made largely self-sufficient as the Legislature intended it to be. 581
2. *Salary Savings*. Reduce Item 3480-001-001 by \$373,000 and various other funds by \$124,000. Recommend reduction of \$497,000 to reflect a more realistic salary savings rate. 582
3. *Pro Rata*. Reduce Item 3480-001-001 by \$53,000. Recommend reduction because the budget incorrectly includes pro rata costs for two General Fund-supported programs. 583
4. Federal Funds for Seismic Studies. Recommend adoption of Budget Bill language requiring the department to use any federal funds received for the seismic study program to replace state funds to the extent allowed by the federal grants. 583

GENERAL PROGRAM STATEMENT

The Department of Conservation consists of two divisions and a special program unit within 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 classifying designated 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 (1) the open-space subvention program (Williamson Act), (2) a farmland mapping and monitoring program, (3) soil resource information activities, and (4) the California Resource Information System (CRIS).

The department has 328 authorized personnel-years in the current year.

OVERVIEW OF THE BUDGET REQUEST

The budget proposes appropriations of \$13,975,000 from various state funds for support of the Department of Conservation in 1984-85. This amount is essentially the same as estimated expenditures from state funds in the current year (a decrease of less than 1 percent). However, expenditures by the department will grow by the amount of any salary or staff benefit increases approved for 1984-85.

The department estimates that it will spend \$15,493,000 from all sources in 1984-85. This is \$35,000, or 0.2 percent, less than total expenditures in 1983-84.

Finally, the budget proposes a total of 319 personnel-years in 1984-85—a reduction of 9 compared with the current-year level.

Significant Budget Changes

Table 1 summarizes the significant changes in programs, by funding source, proposed for 1984-85.

Table 1
Department of Conservation
Proposed Program Changes, by Funding Source
(in thousands)

	<i>Environmental</i>						
	<i>General Fund</i>	<i>License Plate Fund</i>	<i>Energy and Resources Fund</i>	<i>Other Funds*</i>	<i>Federal Funds</i>	<i>Reimbursements</i>	<i>Totals</i>
1983-84 Expenditures (Revised)	\$10,131	\$356	\$596	\$2,923	\$195	\$1,327	\$15,528
1. Workload and Administrative Adjustments							
a. One-time expenditure for office move	-275	—	—	—	—	—	-275
b. Reduced federal grants	—	—	—	—	-195	—	-195
c. Employee compensation ..	176	—	—	50	—	—	226
d. Equity salary increase for engineers	162	—	—	—	—	—	162
e. Merit salary, price, and minor other adjustments	189	—	—	64	—	55	308

DEPARTMENT OF CONSERVATION—Continued

2. Significant Program Changes							
a. Farmland mapping program	—	—	-491	450	—	—	-41
b. Cal-Mexico seismic study..	145	—	-105	—	—	—	40
c. Mammoth Lakes Volcanic study	162	-356	—	—	—	—	-194
d. Personnel reduction of 3 percent	-140	—	—	—	—	—	-140
e. Coalinga office repairs	52	—	—	—	—	—	52
f. Mineral deposit inventory	—	—	—	-114	136	—	22
1984-85 Expenditures							
(Proposed)	\$10,602	—	—	\$3,373	\$136	\$1,382	\$15,493
Change from 1983-84:							
Amount	471	-356	-596	450	-59	55	-35
Percent	4.6	-100	-100	—	-30.3	4.1	-0.2

^a Includes Surface Mining and Reclamation Account, Strong Motion Instrumentation Program Fund, Farmlands Mapping Account, and various other special funds.

Workload and Administrative Adjustments. The budget for 1984-85 proposes several changes to reflect changes in workload and other non-programmatic factors, as follows:

- A General Fund reduction of \$275,000 to eliminate one-time funding for the relocation of the Division of Mines and Geology office in the current year. To date, the department has not made final plans to move the division from its current location in San Francisco.
- An increase of \$696,000 (\$527,000 General Fund) for various routine salary, inflation and overhead adjustments.

Significant Program Changes. The budget proposes three new program changes and funding changes for three other existing programs in 1984-85, as follows:

- **Repairing Earthquake Damage to Coalinga Office.** The budget requests \$52,000 from the General Fund for special earthquake repairs to the Division of Oil, Gas and Geothermal Protection's district office in Coalinga.
- **Position Reductions.** The budget proposes to eliminate 10 of the department's 342 authorized positions in 1984-85, as part of the Governor's plan to reduce the number of state employees by 3 percent. The department indicates that this reduction will result in a net General Fund savings of \$140,000 in 1984-85. The department indicates that the ten positions to be eliminated consist of: (1) five positions in the Mammoth Lakes volcanic study whose functions can be performed at less cost by computers and (2) 5 other positions for which the department anticipates no workload in 1984-85.
- **Farmland Mapping Program.** The budget proposes to shift funding for the Farmland Mapping Program from the Energy and Resources Fund to the Farmlands Mapping Special Account in the General Fund. The Farmland Mapping Special Account was created by Ch 864/83, and receives up to \$450,000 each year from Williamson Act contract cancellation fees. Under existing law, the Energy and Resources Fund terminates on June 30, 1984. The proposed net change in funding for farmlands mapping is a decrease of \$41,000.
- **Cal-Mexico Seismic Study.** The budget proposes to shift funding from the Energy and Resources Fund to the General Fund for the

Cal-Mexico seismic study program. This program evaluates and catalogues areas of potential seismic activity in and around San Diego. The budget proposes \$145,000 from the General Fund for this program in 1984-85—a net increase of \$30,000 compared with the current year.

- **Mammoth Lakes Volcanic Study.** The budget proposes a reduction of \$194,000 for volcanic hazard monitoring at Mammoth Lakes and a shift in funding for the program from the Environmental License Plate Fund to the General Fund. The department expects to acquire and install a computer-based telemetry system at Mammoth Lakes during the current year. The system, when fully operational, is designed to detect and analyze pre-volcanic seismic activity, and to rapidly alert various emergency response agencies in the event of a possible eruption. The budget requests \$162,000 from the General Fund for 1984-85 to operate and maintain the system.

ANALYSIS AND RECOMMENDATIONS

California Resource Information System

We recommend the deletion of \$263,000 from the reimbursements schedule and 2.8 positions assigned to the California Resource Information System program, because it is clear the program cannot be made largely self-supporting as the Legislature intended it to be.

The budget proposes \$263,000 in reimbursements, including 2.8 positions, to continue the California Resources Information System (CRIS) in 1984-85. This represents a \$13,000, or a 5.2 percent, increase over the amount of reimbursements budgeted for CRIS in the current year.

The California Automated Resources Inventory (CARI) System was established in 1980-81 for the purpose of developing a computer-based data storage and retrieval capability for natural resource mapping that would be used by a variety of other state agencies and programs. The department believed that once the system was fully operational, a portion of its ongoing costs would be financed from fees charged to user groups for services provided and maps produced. In 1982-83, the project was renamed the California Resource Information System (CRIS).

Other than a few demonstration efforts, such as a mapping project involving the City of Lafayette, CRIS has not been successful in developing a clientele for its services. In fact, the Lafayette mapping project was done at no cost to the city.

The Legislature stated its intent in the *Supplemental Report to the 1983 Budget Act* that (1) \$250,000 in reimbursements from state and federal agencies be used to finance CRIS, and (2) not more than \$60,000 in state funds should be internally redirected by the department from other programs to support the program in 1983-84.

Through the first half of 1983-84, the department spent \$114,000 on the CRIS program. However, it received only \$24,000 in reimbursements. Consequently, the net cost of the CRIS program to the department during the first half of the current year was \$90,000. This is 50 percent *more* than the limit on nonreimbursed expenditures imposed by the Legislature for the *entire* year.

By now, it should be clear that the CRIS program is not able to find sufficient clients to support its activities. In light of the Legislature's intent that this program be operated on a largely self-supporting basis, we recommend that the program be discontinued. Accordingly, we recommend that the department's reimbursement schedule be reduced by \$263,000

DEPARTMENT OF CONSERVATION—Continued

and that the 2.8 positions assigned to the program be eliminated. We are unable to identify any adverse consequences to the state from terminating this program.

Budgeted Salary Savings

We recommend a reduction of \$373,000 from the General Fund and \$124,000 from various other funds to reflect a salary savings rate more in line with what it has been in the past.

When budgeting for salaries and wages, agencies normally recognize that salary levels will fluctuate and that all positions will not be filled for a full 12 months during the fiscal year. Experience shows that savings will accrue due to the following factors: vacant positions, leaves of absences, turnover, delays in the filling of positions, and the refilling of positions at the minimum step of the salary range. Therefore, to prevent overbudgeting, an estimate of salary savings is included in each budget as a percentage reduction in the gross salary and wage amount. In addition, by reducing the gross salary and wage amount, staff benefits are reduced by a corresponding percentage.

For 1984-85, the budget requests \$8,750,000 for salaries and wages. This consists of \$8,918,000 in gross salaries and wages, less \$168,000, or 1.9 percent, for salary savings.

Our analysis indicates that the amount of salary savings likely to be realized by the department in 1984-85 probably will be considerably greater than 1.9 percent.

Table 2 below shows the salary savings realized by the department since 1981-82. The estimate for 1983-84 is based on personal services costs through December 1983, as provided by the department, and includes a proration of the 6 percent cost-of-living adjustment to be applied in the last half of the current year.

Table 2
Salary Savings Consistently Higher
Than What Is Proposed
1981-82 through 1984-85
(dollars in thousands)

	1981-82	1982-83	1983-84 (Estimated)	1984-85 (Request)
Gross Salaries and Wages Budgeted.....	\$8,379	\$8,415	\$8,792	\$8,918
Actual Salaries and Wages Paid.....	7,826	7,941	7,900 ^a	8,750
Savings:				
Amount.....	553	474	892	168
Percent.....	6.6	5.6	10.1	1.9

^a Based on personal services data for first six months of 1983-84, including proration of 6 percent cost-of-living adjustment.

As Table 2 shows, the department's salary savings rate was 6.6 percent in 1981-82 and 5.6 percent in 1982-83. Based on the department's personal services expenditures for the first six months of the current year, we estimate that salary savings could be approximately 10.1 percent for 1983-84.

The budget, however, assumes that salary savings will drop to only 1.9 percent for 1984-85. Neither the department nor the Department of Fi-

nance, however, have offered a reason as to why salary savings should be lower in 1984-85 than it was in previous years.

We recommend that the budget reflect a salary savings rate that is consistent with recent experience. Actual salary savings rates for 1981-82 and 1982-83 averaged 6.1 percent. On this basis, we recommend that the budgeted salary savings rate for the department be raised to 6.1 percent, thereby increasing the savings in total salaries and wages by \$376,000, from \$168,000 to \$544,000. Furthermore, the corresponding reduction in staff benefits is \$121,000. The increased salary savings and reduced staff benefits, which total \$497,000, should be allocated as follows:

- General Fund (Item 3480-001-001)—\$373,000
- Strong Motion Instrumentation Program Fund (Item 3480-001-398)—\$58,000
- Surface Mining and Reclamation Account (Item 3480-001-035)—\$46,000
- Farmlands Mapping Account (Item 3480-001-492)—\$16,000
- Federal Trust Fund—\$4,000

Central Administrative Service Costs Overbudgeted

We recommend a reduction of \$53,000 from the General Fund to correct for overbudgeting.

Special funds are charged a central administrative services fee (pro rata) to pay for statewide administrative expenses attributable to programs funded from special funds. Pro rata fees offset the General Fund cost of these services. Programs supported from the General Fund are not assessed pro rata fees.

The budget proposes to transfer funding for two ongoing programs from the Energy and Resources Fund (ERF) to the General Fund in 1984-85. This reflects the fact that under current law, the ERF will terminate on June 30, 1984. If these two programs had continued to receive ERF funds in 1984-85, they would have been charged a total of approximately \$53,000 for central administrative services.

When calculating the General Fund cost of these programs in 1984-85, the department neglected to delete from the base expenditure amount the \$53,000 for pro rata. Accordingly, we recommend a reduction of \$53,000 from the General Fund to correct for this technical oversight.

Additional Federal Funds May Be Available for Cal-Mexico Study

We recommend that the Legislature adopt Budget Bill language requiring the department to use any federal funds received for the seismic study program to replace state funds to the extent allowed by the federal grants.

The budget requests \$145,000 from the General Fund for three positions to continue the department's analysis of seismic activity along the California-Mexico border. The estimated state cost of this program in the current year is \$103,000. The current source of funds for the program is the Energy Resources Fund (ERF) which terminates on June 30, 1984.

The department has indicated that it also received \$135,000 in federal funds during 1983-84 for this and other seismic study programs, and that federal funds might also be available in 1984-85. The budget, however, does not include any federal funds for this program. If unbudgeted federal funds are obtained in the budget year, the department should use them to replace state funds to the extent permitted under the terms of the federal grants. Accordingly, we recommend that the Legislature adopt

DEPARTMENT OF CONSERVATION—Continued

the following Budget Bill language:

The Department of Conservation shall use any federal funds received for the seismic study program to replace state funds to the extent allowed by the federal grants.

Resources Agency

DEPARTMENT OF FORESTRY

Item 3540 from the General
Fund and various funds

Budget p. R 62

Requested 1984-85	\$148,615,000
Estimated 1983-84.....	137,284,000
Actual 1982-83	139,336,000
Requested increase (excluding amount for salary increases) \$11,331,000 (+8.3 percent)	
Total recommended reduction	1,598,000
Recommendation pending	4,254,000

1984-85 FUNDING BY ITEM AND SOURCE

Item	Description	Fund	Amount
3540-001-001—Primary Support		General	\$139,703,000
3540-001-140—Forest Practices, Chaparral Management		Environmental License Plate	4,129,000
3540-001-300—Board of Forestry, Registration of Foresters		Professional Foresters Registration	89,000
3540-001-890—Various		Federal Trust	(2,306,000)
3540-001-928—California Forest Improvement Program		Forest Resources Improvement	3,840,000
3540-001-940—Watershed Mapping, Soil Erosion Studies, Forest Practices		Renewable Resources Investment	834,000
3540-001-965—Administration of Timber Yield Tax		Timber Tax	20,000
3540-011-928—State Forest System, Support		Forest Resources Improvement	(1,397,000)
Total			\$148,615,000

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

*Analysis
page*

1. Building Standards for Wildland Areas. Recommend Department of Forestry (CDF) (a) report during budget hearings on the reasons for the two-year delay in designating "hazardous wildland fire zones" where special building standards are to be enforced pursuant to Ch 728/81 and (b) submit a work plan and schedule that provides for the designation process to be completed on an expedited basis. 589
2. *Bureau of Land Management (BLM) Payments. Reduce Item 3540-001-001 by \$400,000. Increase reimbursements by \$359,000.* Recommend reduction to reflect increased presuppression payments that the department expects to receive from the BLM during 1984-85 pursuant to newly revised cooperative agreement. 590

3. Outstanding Federal Fire Billings. Recommend (a) 591
CDF report during budget hearings on steps it is taking to obtain payment from the Bureau of Land Management for more than \$5 million in emergency fire assistance costs and (b) Department of Finance report at budget hearings on the steps it will take to ensure that deficiency appropriations for suppressing fires on federal lands will be treated as loans to CDF.
4. Prescribed Burning Program. Recommend department 593
report during budget hearings on (a) its proposal to eliminate eight positions from the Vegetation Management Program, and (b) the feasibility and cost effectiveness of contracting for this work.
5. Dutch Elm Disease Program. Recommend department 594
report during budget hearings on the feasibility, cost effectiveness, and program impact of eliminating seasonal help positions for the Dutch Elm Disease Program and transferring workload to the California Conservation Corps.
6. *Forest Nursery System. Reduce Item 3540-001-001 by 596*
\$750,000 and increase reimbursements by \$750,000. Recommend that state forest nursery system cover its ongoing operating and staff costs through the sale of nursery stock, as is done in other western states, for net General Fund savings of \$200,000.
7. Excess State Forest Revenues. Recommend adoption of 598
Budget Bill control section transferring \$3.2 million from the Forest Resources Improvement Fund to the General Fund in order to increase the Legislature's fiscal flexibility.
8. Forest Practice Staffing. Recommend department 599
report at budget hearings on how it intends to handle workload for administration of the Forest Practice Act with existing positions.
9. Year-round Fire Mission Pay. Recommend department 601
report at budget hearings on (1) the cost of year-round fire mission pay and (2) the department's policy for charging local government under the Amador Plan for wintertime fire mission pay.
10. Workers' Compensation. Withhold recommendation on 603
\$1,915,000 augmentation requested from the General Fund for workers' compensation claims, pending determination of whether the state is paying for benefits awarded to CDF personnel injured while working under contract to local governments.
11. *Safety Clothing. Reduce Item 3540-001-001 by \$448,000.* 603
Recommend reduction to delete funds for purchase of additional safety clothing because this issue should be addressed in collective bargaining and not provided unilaterally by the state.
12. Utility Costs. Withhold recommendation on \$2,339,000 604
(various funds) pending clarification of (1) current utility costs, (2) the reasons utility costs have increase 45 percent since 1982-83, and (3) savings realized from energy conservation measures.

Now recommend reduction of \$ 459,000 to delete funding for utility costs due to overbudgeting & anticipated savings.

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

The Department of Forestry (CDF) provides fire protection services for approximately 36.7 million acres of privately owned timber, range, and brushland. It also contracts with 31 counties to provide fire protection services in 38 areas for which local governments are responsible. In addition, the department (1) regulates timber harvesting on private forestland, (2) provides advisory and financial assistance to landowners regarding 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 3,821 personnel-years of staff in 1983-84.

OVERVIEW OF BUDGET REQUEST

The budget requests \$148,615,000 from the General Fund and various other state funds for support of the California Department of Forestry (CDF) in 1984-85. This is an increase of \$11,331,000, or 8.3 percent, compared with estimated current-year expenditures from state funds (adjusted to eliminate estimated emergency fire suppression costs of \$10 million which traditionally are funded by a deficiency appropriation). This increase will grow by the amount of any salary or staff benefit increases approved for the budget year. Estimated expenditures for 1983-84 have not been adjusted to reflect any savings which may result from the freeze on hiring and contracts imposed by the Governor in the current year. As a consequence, current-year expenditures may be less than the budget estimates.

Funding Sources

From all sources, the budget proposes total expenditures of \$188,864,000 for support of the department during 1984-85. This is \$5,864,000, or 3.2 percent, more than the current-year amount (less the estimated \$10 million deficiency for emergency fire suppression). The sources of funds for these proposed expenditures are as follows:

1. State funds (Items 3540-001-001 through 3540-001-965) ..	\$148,615,000
2. Federal Trust Fund (Item 3540-001-890)	2,306,000
3. Reimbursements:	
(a) Local fire protection services provided to counties, cities, and special districts by CDF	32,969,000
(b) Conservation center instructors and camp support (Department of Corrections and California Youth Authority)	2,108,000
(c) Supervision and training of corpsmember (California Conservation Corps)	956,000
(d) Emergency fire assistance provided to federal agencies	500,000
(e) Payments by employees for subsistence, housing and other services provided by CDF	705,000
(f) Timber operator license and renewal fees	73,000
(g) Miscellaneous	632,000
Subtotal, Reimbursements.....	\$37,943,000
Total	\$188,864,000

Budget Changes

Table 1 summarizes proposed budget changes by funding source. The major changes are discussed below.

Workload and Administrative Adjustments. The most significant workload and administrative changes proposed for 1984-85 are the following:

Table 1
Department of Forestry
Proposed Program Changes, by Fund
1984-85
(in thousands)

	<i>Environmental</i>			<i>Federal Funds</i>	<i>Reimbursements</i>	<i>Totals</i>
	<i>General Fund</i>	<i>License Plate Fund</i>	<i>Other Special Funds^a</i>			
1983-84 Expenditures (Revised)	\$138,041	\$2,767	\$6,476	\$2,615	\$42,195	\$192,094
1. Workload and Administrative Adjustments						
a. Current-year emergency fire suppression costs	-10,000					-10,000
b. CDC conservation camp operations	1,949				-1,138	811
c. USFS and Contract County fire protection cost increase ..	924					924
d. CCC fire center operations					-221	-221
e. Dept. of Parks and Recreation —federal JOBS legislation					-2,013	-2,013
2. Significant Program Changes						
a. Program and administrative efficiencies (-60 PYs)	-13				-521	-534
b. Dutch Elm Disease program funding shift and expansion....	2,124		-1,290			834
c. Vegetation Management program funding shift		1,044	-955			89
d. Information systems project (computer equipment acquisitions)	598					598
e. Airtanker replacement costs ..	274					274
f. Soil-Vegetation Survey program restoration	218					218
3. Merit Salary Adjustment, inflation adjustment, and Miscellaneous Minor Changes	5,588	318	552	-309	-359	5,790
1984-85 Expenditures (Proposed) ..	\$139,703	\$4,129	\$4,783	\$2,306	\$37,943	\$188,864
Changes from 1983-84:						
Amount	\$1,662	\$1,362	-\$1,693	-\$309	-\$4,252	-\$3,230
Percent	(1.2%)	(49.2%)	(-26.1%)	(-12%)	(-10.1%)	(-2%)

^a Forest Improvement Fund, Energy and Resources Fund, Renewable Resources Investment Fund, Professional Foresters Registration Fund, and Timber Tax Fund.

DEPARTMENT OF FORESTRY—Continued

- A General Fund increase of \$1,949,000 and a decrease of \$1,138,000 in reimbursements to shift funding for three inmate conservation camps from the Department of Corrections to CDF.
- An increase of \$924,000 in state fire protection payments to the U.S. Forest Service and six counties (Kern, Los Angeles, Marin, Orange, Santa Barbara, and Ventura).
- A decrease of \$221,000 in reimbursements from the California Conservation Corps due to closure of the Del Norte and Calaveras Fire Centers.
- A decrease of \$2,013,000 in one-time federal funds (Jobs Bill) provided by the Department of Parks and Recreation for various urban forestry and other projects.

Significant Program Changes. The most significant program changes proposed for 1984–85 consist of the following:

- A reduction of 60 positions due to “program and administrative efficiencies.” These positions will be eliminated as part of the Governor’s 3 percent reduction in the number of state employees.
- An increase of \$2,124,000 in General Fund support for the Dutch Elm Disease program. Of this amount, \$1,290,000 is to replace current-year funding from the Energy and Resources Fund.
- An increase of \$1,004,000 from the Environmental License Plate Fund for the Vegetation Management program to replace \$955,000 of current-year support from the Energy and Resources Fund.
- An increase of \$598,000 from the General Fund for procurement of 120 microcomputer systems and continued implementation of the department’s information systems project.
- An increase of \$274,000 to convert two U.S. Navy S-2 aircraft to air-tanker configuration to replace similar aircraft destroyed in firefighting accidents.
- An augmentation of \$218,000 from the General Fund for the Soil Vegetation Survey to restore the program to its 1982–83 funding level.

ANALYSIS AND RECOMMENDATIONS**FIRE PROTECTION PROGRAM**

The department’s primary function is fire protection. For 1984–85, the budget requests \$168,263,000 and 3,232 personnel-years for fire protection, or decrease of 2 percent compared with the current year. The amounts requested for fire protection represent 89 percent of the total funds and 86 percent of the total staff requested by the department.

The CDF is responsible for providing fire protection to forests, watershed areas and rangeland that have been designated as a State Responsibility Area (SRA) by the State Board of Forestry. The SRA encompasses 35.7 million acres. SRA includes private lands, but excludes federal lands and lands within incorporated cities. The General Fund pays for fire protection of the SRA.

As shown in Table 2, CDF provides direct protection to about 75 percent of the SRA. Six counties provide fire protection to SRA lands within their boundaries under contracts with CDF. The department’s fire protection budget includes \$10,120,000 for SRA protection by counties in 1984–85. Federal agencies, primarily the U.S. Forest Service (USFS), also protect SRA lands included within or adjacent to federal lands. The budget includes \$3,212,000 to pay the USFS for SRA protection in 1984–85.

Table 2
Department of Forestry
Agencies Providing Fire Protection
to State Responsibility Area (SRA) Lands

	<i>Acres</i>
1. CDF direct protection	27,088,483
2. Counties (costs reimbursed by the state)	4,102,247
3. U.S. Forest Service (costs reimbursed by the state)	4,012,227
4. Other federal agencies, such as the Bureau of Land Management, National Park Service, Bureau of Indian Affairs (costs reimbursed by the state)	494,739
Total SRA acreage	35,697,696

In addition to SRA fire protection, CDF provides fire protection and paramedic services to local governments on a contractual basis. This is done under "Schedule A" contracts and "Amador Plan" agreements.

During 1982-83, CDF administered a combined total of 38 contracts with local agencies in 31 counties that call for the department to provide some form of fire protection service to local responsibility areas. Twenty-nine of these agreements cover services that are fully reimbursed by local government and are commonly referred to as Schedule A contracts.

Under "Schedule A" contracts, counties and other local agencies pay the full cost of CDF firefighters, stations and equipment to provide local fire protection. The budget indicates that the department expects to receive reimbursements of \$32,969,000 for Schedule A contract services in 1984-85.

Under "Amador Plan" agreements, local governments reimburse the state only for the *incremental* cost of providing local fire protection during the winter (nonfire season) with CDF employees and equipment who protect the SRA during fire season.

Supplemental Analysis of Riverside and San Bernardino Contracts

We are preparing a supplemental analysis of the department's Schedule A operations in Riverside and San Bernardino Counties. Our analysis will address (1) whether these counties fully reimburse the state for the cost of local fire protection and (2) whether alternatives to the existing Schedule A contracts and CDF operation would be a more cost-effective and efficient means of providing local and SRA fire protection in the two counties.

Two-Year Delay in Implementing the Wildland Fire Hazard Reduction Program

We recommend that the department (1) report during budget hearings on the reasons for the two-year delay in designating "hazardous wildland fire zones", pursuant to Ch 728/81, and (2) submit a workplan and schedule to complete the designation process on an expedited basis.

Chapter 728, Statutes of 1981 (SB 78), requires the Director of Forestry to designate "hazardous wildland fire zones" in which counties must enforce special building standards adopted by the State Fire Marshal for roof coverings and attic openings. The designation of "hazardous wildland fire zones" is based on fuel loading (amount of flammable vegetation), slope, weather, and other factors. The special building standards apply to new construction and to any existing structures when 50 percent or more of the roof area is replaced. The standards may require specific building materials and prohibit others (such as untreated shake roof shingles) in order to reduce fire hazards to homes and other buildings due to wildland fires. Before designating "hazardous wildland fire zones," the department must conduct a public hearing in each affected county.

DEPARTMENT OF FORESTRY—Continued

Chapter 728 did not set deadlines for completing the designation process or for adopting the special building standards.

Progress Has Been Minimal. At the time this *Analysis* was prepared, the department had not begun the designation process or conducted hearings in any of the 56 affected counties. So far, the CDF's accomplishments under Chapter 728 have been limited to the development of (1) a "Fire Hazard Severity Zoning System", and (2) a tentative plan to adopt designation regulations and submit them to the Office of Administrative Law in November 1984. Moreover, the State Fire Marshal's office had not started work on the special building standards because it is waiting for CDF to complete the designation process first.

Based on the department's tentative schedule, final zoning designations and fire hazard severity ratings for the 56 counties will not take effect until the end of calendar year 1984, at the earliest. Implementation of the special building standards by county planning departments—the objective of the 1981 statute—probably will not occur until some time in 1985.

Implementation Plan Needs to be Expedited. Our analysis indicates that implementation of the hazard reduction program has been delayed, in part, because the CDF spent an inordinate amount of time developing an unnecessarily complex system of instructions for its staff to use in conducting the zoning and designation process. Another factor contributing to the delay may be the absence of any specific funding for the program. In 1981, the CDF estimated that it would cost \$50,000 to complete the designation process. However, no funds for these activities were appropriated by Ch 728/81, nor has the department requested any additional funding. Consequently, these activities are being financed by redirecting funds from other budgeted activities.

Recommendation. By enacting Ch 728/81, the Legislature sought to reduce the loss of homes and other buildings due to wildland fires. Implementation of the program should not be further delayed. Accordingly, we recommend that the CDF report at budget hearings on (1) the reasons why implementation has been delayed, and (2) the source of funds that it will use to complete the designation process. The department should also submit a schedule showing when it expects to hold public hearings in each of the 56 affected counties.

Increase in BLM Contract Payments Should be Reflected in Budget

We recommend a reduction of \$400,000 in Item 3540-001-001 and an increase of \$359,000 in scheduled reimbursements to eliminate overbudgeting (due to the budget's failure to take account of increased presuppression payments from the Bureau of Land Management during 1984-85).

The Department of Forestry has a variety of cooperative agreements with the federal government to provide fire protection to federal lands that are intermingled with, or adjacent to state responsibility lands. Under its agreement with the Bureau of Land Management (BLM), the department protects approximately 2.3 million acres of bureau land, while the BLM protects about 487,000 acres of state responsibility lands.

Until last year, the cooperative agreement called for BLM to (1) reimburse CDF for the department's cost of suppressing fires on BLM lands and (2) provide a "presuppression", or standby payment of \$823,000 per year to the state. This standby payment had not been adjusted since 1972.

Currently, the cost recovery payments from BLM are deposited directly

in the General Fund and do not increase the amount available for expenditure by CDF. The cost of fire suppression for BLM lands is included in the department's regular General Fund budget for SRA fire protection. The presuppression payment from the BLM, on the other hand, is treated as a reimbursement, and is available for expenditure by the department.

1982 Legislative Directive. The Legislature included language in the 1982 Budget Act directing CDF to revise its cooperative agreement with BLM to provide for inflation adjustments to the annual presuppression payment. These negotiations were concluded in October 1983.

New Agreement Changes Payment Method. Under the newly revised agreement with the BLM, the department, in 1984-85, will receive (1) an increase of \$41,000 (5 percent) in the presuppression payment and (2) an additional \$359,000 *in lieu* of payments for the actual cost of suppressing small fires on BLM land covering less than 100 acres. The department indicates that, during an average fire season, it bills BLM approximately \$359,000 for about 35 to 40 of these small fires.

This change in the way in which CDF receives BLM payments will reduce General Fund revenues by approximately \$359,000 per year, and correspondingly increase reimbursements to CDF by \$359,000. The net increase in actual payments to the state, however, is only the \$41,000 price adjustment in the presuppression payment.

CDF's General Fund budget request, however, was not reduced to offset the increase in reimbursements. Also the department's schedule of reimbursements for 1984-85 includes the \$41,000 increase in the presuppression payment but not the \$359,000 reimbursement from BLM for small fires. Accordingly, we recommend (1) a reduction of \$400,000 in Item 3540-001-001 and (2) an increase of \$359,000 in scheduled reimbursements. This will have no impact on the total amount of expenditures by the department in the budget year.

We also recommend that CDF report during budget hearings on its plans for using the additional \$400,000 in reimbursements that it will receive from the BLM during the *current* fiscal year.

\$5 Million Remains Unpaid by Federal Agencies

We recommend that the Department of Forestry (CDF) report during budget hearings on (1) when it expects to receive payment from the Bureau of Land Management (BLM) for more than \$5 million in emergency fire services provided by the state in prior years (2) what specific actions it is taking to assure that the state will be reimbursed for these costs in the near future and (3) whether the state should continue to provide fire suppression services to the BLM. We further recommend that the Department of Finance report on what steps it is taking to comply with language included in the 1983 Budget Act.

Each year, the Department of Forestry routinely assists the U.S. Forest Service and Bureau of Land Management (BLM) in controlling fires on national forest and other public lands in California. The General Fund is reimbursed for CDF's costs in providing this assistance.

Past Billing Deficiencies. In each of the past three *Analyses*, we have reported on the department's poor performance in billing the Forest Service and BLM for the cost of cooperative emergency fire suppression services provided to these agencies. To correct the problem, the Legislature added language to the 1981 and 1982 Budget Acts requiring CDF to complete preparation of invoices to federal agencies within 120 days after providing reimbursable assistance to them.

DEPARTMENT OF FORESTRY—Continued

1983 Legislative Action. Last year, we reported that as of December 1982, the department had outstanding accounts receivable totaling almost \$4.8 million, which included \$4.7 million attributable to fires that occurred prior to 1982. The CDF was unable to (1) explain why the federal government had not paid these invoices, or (2) advise the Legislature when the state would receive payment for the overdue billings.

In response, the Legislature added language to the 1983 Budget Act requiring CDF to (1) advise federal agencies that the state's invoices for emergency fire suppression assistance are due within 60 days and (2) charge interest on late payments. The Legislature also directed that any deficiency appropriations for costs associated with overdue bills shall be treated as a *loan* to the CDF, to be repaid with interest. This provision was intended to (1) reimburse the General Fund for lost interest income, (2) provide an incentive for the department to collect delinquent billings, and (3) separately identify delinquent accounts receivable from the federal government and state emergency fire suppression costs.

Outstanding Accounts Receivable. At the time this *Analysis* was prepared, the Department of Forestry reported the following accounts receivable were due from federal agencies for emergency fire assistance provided during the current and prior years:

• Bureau of Land Management	\$5,616,070
• Bureau of Indian Affairs (BIA)	109,400
• U.S. Forest Service	31,500
• National Park Service	5,000
Total	<u>\$5,761,970</u>

Of the total amount unpaid (\$5.8 million), the department indicates that (1) \$5,123,270 remains from *prior-year* billings, and (2) \$638,700 is from current-year billings. The latter are subject to penalty interest charges pursuant to the 1983 Budget Act.

Most of the amount due the state from prior-year billings—\$5,118,070—is owed by the BLM. In addition, our records indicate that as of last spring, the bureau still owed the state an *additional* \$1,222,170 for billings in 1979 and 1980. It is not clear whether these delinquent bills have been paid or whether CDF just no longer reports them.

No CDF Collection Plan for Overdue Billings. During hearings on the 1983 Budget Bill, the department assured the Legislature that authorization for payment of state billings had been approved by the BLM offices in California, but that payment depended on the bureau obtaining a supplemental appropriation. Since then, however, *none* of the overdue billings from 1981 and 1982 have been paid, and the total amount due the state has *increased by nearly \$1.1 million*.

Recommended Action. We see no justification for the Bureau of Land Management's failure to pay the state for fire suppression services provided by the Department of Forestry months—and even years—ago.

Last year, we recommended that the department be directed to terminate its cooperative fire protection agreement with BLM because of the large volume of unpaid bills remaining from prior years. In response, the department assured the Legislature that most of the overdue bills would be paid in the near future and, as a result, the Legislature decided not to cancel the contract.

Although it has been almost one year since the department assured the Legislature that payments would be forthcoming, we now find that the

amount of money owed the state by the BLM is more, not less, than it was last year. For this reason, we recommend that CDF report to the fiscal subcommittees during budget hearings on when it expects to receive the \$5 million in accounts receivable from prior years. The department should also advise the Legislature (1) what specific actions it is taking to assure that these overdue bills will be paid in the near future and (2) whether cancellation of the contract would be in the best interest of the state.

We also recommend that the Department of Finance (DOF) report to the fiscal subcommittees on what steps, if any, it has taken to comply with the 1983 Budget Act language. Specifically, DOF should advise the fiscal subcommittees how it plans to administer any loans made to the Department of Forestry from the 1983-84 deficiency appropriation that are attributable to overdue accounts receivable from federal agencies for fire assistance billed by CDF during the current fiscal year.

RESOURCE MANAGEMENT

The resource management program provides for (1) regulation of timber harvesting on private lands, pursuant to the Forest Practice Act, (2) management of 70,000 acres of state-owned forests, (3) operation of 3 forest nurseries, (4) emergency revegetation, (5) registration of professional foresters, (6) administration of the Forest Resources Assessment and Planning Act (FRAPA), (7) reforestation activities under the California Forest Improvement Act (CFIP), (8) tree survey and removal work under the Dutch Elm Disease program, and (9) prescribed burning projects conducted in the Vegetation Management program. The budget requests from various sources \$20,601,000 and 242 positions for Resource Management programs in 1984-85, an increase of 4.9 percent compared with the current year.

Prescribed Burning Program Position Reduction

We recommend that the department report during budget hearings on (1) its proposal to eliminate eight positions from the Vegetation Management Program, and (2) the feasibility and cost effectiveness of contracting for the work now assigned to these positions.

The department requests \$2,991,000 in 1984-85 from the Environmental License Plate Fund (ELPF) to continue helicopter operations and prescribed burning activities under the Vegetation Management program. This is \$89,000, or 3 percent, more than estimated program expenditures during the current year. In 1983-84, the program is supported with (1) \$1,947,000 from the ELPF and (2) \$955,000 from the Energy and Resources Fund (ERF). Because the ERF terminates on June 30, 1984, the budget proposes that ERF support for the program be replaced with funds from the ELPF in 1984-85.

The Vegetation Management program was established in 1981-82. Since then, the department has conducted approximately 360 prescribed burning projects covering 95,000 acres of private and public land in order to reduce the fire hazard, increase the water yield, and provide additional forage for livestock and wildlife. Prescribed burning projects are conducted by a staff of 50 field and headquarters positions. During the current fiscal year, CDF hopes to complete 300 projects involving a total of 80,000 acres.

The Budget Proposes to Contract for Services Currently Provided by State Personnel. For 1984-85, the administration proposes eliminating eight of the 50 personnel-years authorized for the program as an "adminis-

DEPARTMENT OF FORESTRY—Continued

trative efficiency." Specifically, the budget proposes to eliminate (1) four of the 17 professional forester positions, (2) three mechanic positions, and (3) a data processing technician. All of these positions currently are filled. The workload now handled by these eight positions would be carried out by nondepartmental staff through contracts that would be funded with the \$307,000 in salary savings resulting from elimination of the positions.

The department has not determined how it will go about contracting for the services now provided by the eight positions. It is possible that the department could replace the four forester positions by hiring U.S. Forest Service employees through Interagency Personnel Agreements (IPA's). Whether this is feasible, however, has not been established.

It is also not clear whether transferring the workload of the eight positions to consultant contracts would be cheaper or more expensive than retaining the existing staff. Nor is it clear whether transferring the workload for the four forester positions to consultants would have an adverse impact on program output, as measured by (1) the number of vegetation management projects conducted or (2) acres treated with prescribed burning.

Recommended Action. At the time this *Analysis* was prepared, the department had not been able to demonstrate whether the replacement of the eight positions would be (1) feasible, (2) cost effective, or (3) likely to have any impact on program effectiveness and accomplishments during 1984-85 and in future years. It is also possible that the workload now assigned to these eight positions could be absorbed by CDF's existing staff, allowing the contract funds to be deleted from the budget. Accordingly, we recommend that the department report on these matters during budget hearings.

Using the CCC in the Dutch Elm Disease Program May Not Be Cost Effective

We recommend that the department report at budget hearings on (1) the feasibility and cost-effectiveness of its proposal to eliminate 35 personnel-years of temporary help and transfer all workload for survey, sampling and spraying in the Dutch Elm Disease program to contracts with the California Conservation Corps.

The department requests \$2,345,000 from the General Fund in 1984-85 to support the Dutch Elm Disease (DED) program. This is an increase of \$834,000, or 55 percent, compared with 1983-84 estimated expenditures of \$1,511,000. Current-year funding consists of \$1,290,000 from the Energy and Resources Fund (ERF) and \$221,000 from the General Fund. The ERF terminates on June 30, 1984, and the budget proposes to shift all program costs to the General Fund in 1984-85. The proposed increase of \$834,000 would be used to expand the geographic coverage of the project. The budget also proposes to replace existing seasonal positions with contract work by the California Conservation Corps (CCC).

Dutch elm disease is caused by a fungus and is carried from tree to tree by the elm bark beetle. The disease can kill elm trees and, once established in an area, spreads rapidly.

In the current year, the DED program has 14 permanent positions assigned to project offices in Palo Alto and Sonoma, where the project also maintains a laboratory. In addition, the project uses 35 personnel-years of seasonal help for survey, sampling, and spraying work. Removal of trees and wood piles generally is accomplished through contracts with private

companies and local governments.

The department has advised that the increase of \$834,000 requested for the budget year would be used to:

1. Contract for the <i>equivalent</i> of 28 additional personnel-years of seasonal help from the CCC or local agencies	\$514,000
2. Purchase additional vehicles and equipment and rent additional facilities	208,000
3. Provide an inflation adjustment for operating expenses and equipment.....	32,000
	<u>\$834,000</u>

Currently, tree survey, treatment and removal activities cover the entire counties of Marin, Sonoma, Napa and San Mateo, plus parts of Solano, Contra Costa and Santa Clara counties. The additional funds would be used to expand the work area to include the remaining portions of Contra Costa and Santa Clara counties, plus all of San Francisco and the northern portion of Alameda County.

Proposed Staffing Change. The administration proposes to eliminate 35 personnel-years of seasonal help, as part of the Governor's plan to reduce the number of state employees by 3 percent. The 35 existing seasonal positions conduct spring and summer tree surveys, treat infested trees and supervise removal of elm wood piles. The savings of \$484,000 from eliminating these positions, plus \$514,000 of the proposed funding increase, provide a *total* of \$998,000, would be used to contract with the CCC for the services now provided by seasonal help.

At the time this *Analysis* was prepared, CDF had not provided any specific information on the feasibility, cost effectiveness or programmatic justification for transferring all of the seasonal work to the CCC.

CCC Crews Versus Seasonal Crews. CDF advises that a large number of the program's seasonal staff are rehired each year because of their prior experience on the project and their expertise. In addition to conducting tree surveys and spraying work, seasonal employees (Agricultural Aids, and Agricultural Inspectors I, II and III's) are also used to keep records, maintain vehicles, provide laboratory support and conduct research.

Seasonal DED program employees are paid an average of \$7.14 per hour, including staff benefits.

The CCC advises that it currently charges \$5.61 per hour, per corpsmember, for contract services provided to state and local agencies. For the budget year, however, the CCC is proposing to increase this charge to \$10.51 per hour in order to include its departmental overhead and administrative costs for providing contract services. This is \$3.37 per hour, or 47 percent more than the average hourly cost of a CDF seasonal employee, including staff benefits.

Corpsmembers will require additional training and supervision for tree survey, sampling and spraying work, because the typical corpsmember spends only six months in the corps. Consequently, few, if any, corpsmembers will return to the project for a second season.

When CCC crews were used in the DED program, their productivity was much less than that of CDF's seasonal crews. During the summer of 1982, corpsmembers surveyed trees for the DED project in Contra Costa County. The crews, from the Bollinger Fire Center, also had to be readily available for fire dispatch. CDF found that its seasonal crews surveyed an average of 95 properties per day compared with 23 for one CCC crew and

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47 for the other (1982 Utilization of the California Conservation Corps for Dutch Elm Disease Survey in Contra Costa County: A Performance Evaluation, Department of Forestry, November 1982). The department also found that CCC personnel required an abnormally large amount of supervision by CDF staff.

Findings. If the CCC charges \$10.51 per hour, per corpsmember, and the productivity of CCC crews is less than that of seasonal employees, CDF's proposal would be neither cost effective nor feasible. Accordingly, we recommend that the department report to the Legislature and address these matters during budget hearings.

Nurseries Should Be Self-Supporting

We recommend a reduction of \$750,000 from the General Fund (Item 3540-001-001) and a corresponding increase in scheduled reimbursements in order to place the department's nursery system on a self-supporting basis, for a General Fund savings of \$200,000.

The budget includes \$750,000 from the General Fund for support of the CDF forest nursery system. This is an increase of \$53,000, or 7.6 percent, compared with estimated current-year expenditures. In the current year, there are about 18 personnel-years of staff in the nursery program, not including labor provided by the California Conservation Corps (CCC) and the California Youth Authority (CYA). For 1984-85, the budget indicates that the cost of CDF's nurseries will be about \$200,000 more than the revenue produced from seedling sales.

The CDF nurseries use seeds for 25 different species of trees, collected from 88 separate "seed zones", each with three elevation classes. As a result, the nurseries offer an extensive variety of trees that are adapted to various soil types, climatic conditions and forest environments. This variety generally is not available from the three largest private independent nurseries operating in California.

The department sells a large number of seedlings each year to commercial Christmas tree plantations. Seedlings for this purpose are grown from a more limited stock of seeds. In 1982-83, CDF sold about 1,039,000 Christmas tree seedlings, representing about 24 percent of its total sales. According to the department, its three nurseries provide 30-to 40 percent of the state's Christmas tree seedling production.

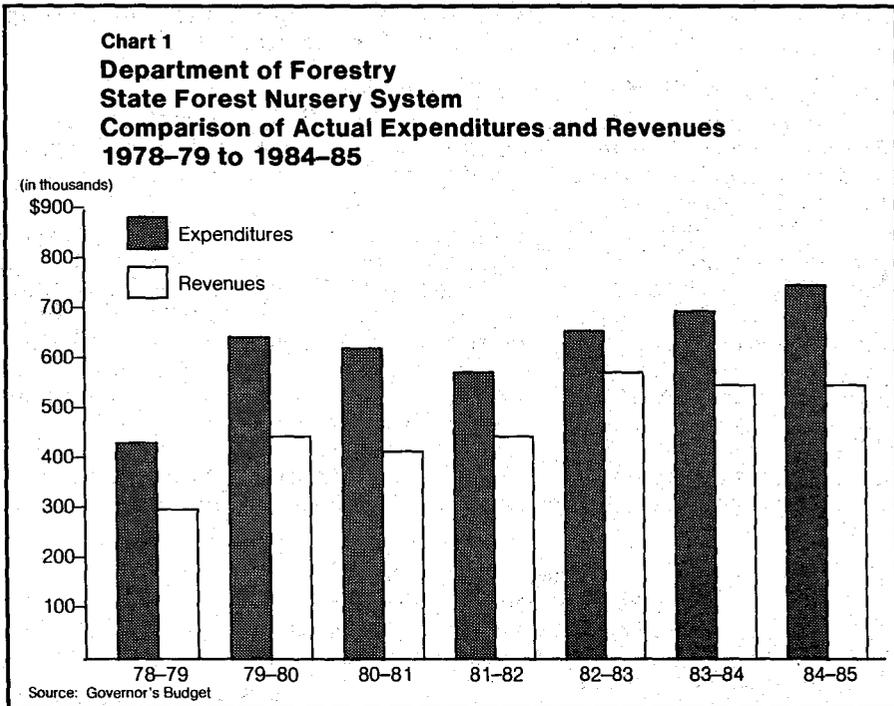
Table 3
Department of Forestry
State Forest Nursery System
Number of Trees Sold, by Use
1982-83

<i>Purpose</i>	<i>Number</i>
Reforestation (private land)	2,498,710
Reforestation (public land)	277,770
Christmas trees	1,038,900
Planting public streets, grounds, etc.	94,092
Erosion control/watershed protection.....	237,250
Farm windbreaks	101,830
Fuel wood	85,000
CDF and other research	13,950
Total	4,349,002

The department also grows a limited number of seedlings each year under contract to individual landowners, commercial timber companies and private consulting foresters. Finally, the department produces seedlings which are sold for fuelwood (such as Eucalyptus), erosion control, watershed protection and windbreaks. This is a minor part of total production.

The number of trees sold for different uses in 1982-83 is identified in Table 3.

Expenditures Exceed Revenues. Currently, the revenues from the sale of seedlings are deposited in the General Fund, and the cost of nursery operations is financed from CDF's General Fund budget appropriation. Chart 1 compares expenditures and revenues for the state nursery system since 1978-79. The revenues produced by the nursery system consistently are less than the costs of operating the nurseries. In the current year, costs are expected to exceed revenues by \$147,000. By 1984-85, the shortfall is expected to reach \$200,000.



Our *Analysis* indicates that nursery expenditures exceed revenues for two primary reasons. First, the department grows seedlings on a speculative basis for a broad variety of species from obscure seed zones and elevations which may not be in demand every year. Second, and more important, CDF's prices are too low to cover expenditures. Prices are established by the State Board of Forestry, based on prices charged by

DEPARTMENT OF FORESTRY—Continued

private, commercial nurseries in California, rather than on the department's actual production costs.

Recommendation. We can find no analytical reason why the department should rely on a subsidy from the General Fund to cover the costs of its nursery program. If higher prices cause CDF to lose business to private nurseries, so be it. There is no apparent reason why the state should compete with these nurseries in the first place. If, on the other hand, the higher prices result in increased revenue to CDF, it would reduce or eliminate the required General Fund subsidy. In short, we can see no reason why the state's nurseries should not be self-supporting, as indeed state nurseries in Washington and Oregon are.

Accordingly, we recommend a reduction of \$750,000 in the department's General Fund appropriation (Item 3540-001-001) and a corresponding increase in scheduled reimbursements. This would require the department to place the nursery program on a self-supporting basis, and result in an estimated net savings of \$200,000 to the General Fund in 1984-85. If the department is successful in making the program self-supporting, there should be no significant effect on expenditures.

Transfer Excess CFIP Revenues to General Fund

We recommend that the Legislature add a control section to the Budget Bill transferring an estimated surplus of \$3,217,000 in the Forest Resources Improvement Fund to the General Fund, in order to provide the Legislature with greater fiscal flexibility.

The budget proposes an appropriation from the Forest Resources Improvement Fund (FRIP) of \$3,840,000 for various activities under the California Forest Improvement Program (CFIP) in 1984-85. These funds would be used for reforestation grants (and related administrative staff), the wood energy program, and other miscellaneous projects. In addition, the money would be used to fund an interagency contract with the State Lands Commission. The total amount requested is \$445,000, or 13 percent, greater than estimated current-year CFIP expenditures.

The Forest Resources Improvement Fund was established by Ch 812/79 and receives revenue from the sale of timber from the state forest system, which CDF manages. Under existing law, the use of these monies is lim-

Table 4
Department of Forestry
Forest Resources Improvement Fund
Estimated Revenue and Expenditures
1983-84 and 1984-85

	1983-84	1984-85
Start-of-year balance.....	\$3,743,000	\$2,389,000
Revenue from timber sales.....	3,657,000	6,588,000
Total Resources Available.....	\$7,400,000	\$8,977,000
Budgeted expenditures and transfers		
Expenditures.....	-\$3,769,000	-\$3,840,000
Transfer to General Fund for state forest operations.....	-1,242,000	-1,397,000
Total, Expenditures and Transfers.....	-\$5,011,000	-\$5,237,000
End-of-year Balance.....	\$2,389,000	\$3,740,000

ited to reforestation grants and other purposes authorized by the California Forest Improvement Act of 1978 (Ch 1171/78).

1984-85 Revenue Increase. The budget estimates that the FRIF will receive \$6,588,000 from state forest timber sales during 1984-85. This is \$2,931,000, or 80 percent, more than estimated revenues from timber sales in the current year. Most of the increase is attributable to increased demand for housing. Together with an expected carryover of \$2,389,000, budget year revenues will result in an estimated total of \$8,977,000 being available for expenditures from the FRIF in the budget year.

Revenues Exceed Expenditures by More Than 70 Percent. Table 4 shows the expenditures and revenues for the FRIF in the current and budget years. As the table indicates, the fund is expected to have a surplus of about \$3,740,000 at the end of 1984-85. This amount is equal to 71 percent of proposed 1984-85 expenditures and transfers.

Recommendation. We see no reason to maintain such a large unappropriated balance in this special fund. Doing so simply reduces the Legislature's fiscal flexibility in seeking to achieve its priorities through the budget. Accordingly, we recommend that all but 10 percent of the unneeded funds be transferred to the General Fund. This 10 percent reserve should be adequate for contingencies and to finance any increases in employee compensation that are authorized for the budget year. According to Legislative Counsel, this transfer is permissible since the revenue deposited in the FRIF is, in effect, General Fund money.

Specifically, we recommend the transfer of \$3,216,000 of unappropriated and unneeded funds from the FRIF to the General Fund. This can be done by adding the following control section to the Budget Bill:

"Notwithstanding the provisions of Section 4799.13 of the Public Resources Code, the State Controller shall, as of June 30, 1985, transfer to the General Fund the unencumbered balance in the Forest Resources Improvement Fund, less \$524,000."

Forest Practice Inspection Staffing Levels

We recommend that the department report during budget hearings on its ability to successfully administer provisions of the Forest Practice Act in view of (1) the loss of eight inspector positions two years ago, (2) the department's failure to shift other staff to this program as it promised the Legislature it would do, and (3) the workload increase in the forest practice program during 1983.

The Z'berg-Nejedly Forest Practice Act of 1973, administered by the Department of Forestry (CDF), requires, among other things, that timber harvest activities on private lands conform with regulations adopted by the State Board of Forestry. Prior to commencing a logging operation, the timber operator or landowner must submit a timber harvest plan (THP) to the department for review and approval.

Once a THP is approved, the department inspects harvest operations to ensure compliance with the regulations. In addition, the department inspects emergency timber operations and those operations that are exempt from the Forest Practices Act.

Funding Request. The department has requested a total of \$4,309,000 from four funding sources and 69 personnel-years to administer the Forest Practice Act during 1984-85. This amount consists of \$3,283,000 from the General Fund, \$834,000 from the Environmental License Plate Fund (ELPF), \$182,000 from the Renewable Resources Investment Fund (RRIF), and \$10,000 from federal funds.

DEPARTMENT OF FORESTRY—Continued

Although the number of positions proposed for 1984–85 is the same as the current-year level, the budget request is \$503,000, or 13.2 percent, more than estimated expenditures in 1983–84. The increase consists of \$124,000 for routine price and salary increases and \$379,000 for increased workers' compensation claims and unemployment benefit costs.

1982–83 Staff Reduction. For 1982–83, the department proposed to reduce its forest practice inspection staff by 8 positions, from 56 to 48, in order to achieve a General Fund savings. The department indicated that other CDF personnel assigned to state fire control operations, such as forest rangers and fire captains, would be used to meet workload needs in the forest practice program. CDF acknowledged, however, that there might be some reduction in the number of inspections because of the higher priority given emergency fire suppression work, but it assured the Legislature that there would be no significant reduction in the program. On this basis, the Legislature approved the deletion of the eight positions.

Redirection Has Not Occurred. According to the department, the workload previously handled by the eight positions eliminated in 1982 has not been picked up by departmental fire control personnel. In fact, the number of forest practice inspections conducted by fire control staff has decreased since July 1, 1982.

Workload Increasing. The number of new timber harvest plans (THPs) submitted in 1983 was 216, or 20 percent, above the 1982 number. When the workload associated with inspecting exempt and emergency timber operations also is taken into account, workload increased by 21.5 percent compared with 1982, as shown in Table 4.

Workload associated with timber operations approved in prior years tends to accumulate because the department must inspect timber operations following completion of harvest activities and to verify stocking reports. Post-harvest inspections are needed to verify proper disposal of logging slash, implementation of erosion control measures and replanting. As of January 1, 1984, there remained 4,074 timber harvest plans approved since 1975 which may require additional work by CDF.

Table 4
Department of Forestry
Forest Practice Workload
1977–1983

Year	Timber Harvest Plans (THPs)	Exempt Operations	Emergency Operations	Total	Difference	Percentage Change
					From Prior Year	From Prior Year
1979.....	1,928	660	101	2,689	-1,173	-30
1980.....	1,547	897	41	2,485	-204	-7
1981.....	1,308	734	36	2,078	-407	-16
1982.....	1,074	719	28	1,821	-226	-11
1983.....	1,290	795	128	2,213	392	21.5

It is not clear whether there has been any significant adverse impact on the administration and enforcement of the Forest Practice Act due to (1) the loss of eight positions in 1982–83 and (2) the 21.5 percent increase in the number of timber harvest plans and other logging operations requiring inspections. What is known is that the department has not used person-

nel from other programs to offset the loss of the eight inspector positions, contrary to CDF's assurances during budget hearings two years ago.

For these reasons, we recommend that the department report to the fiscal subcommittees on how it plans to adequately administer Forest Practice Act requirements in view of (1) the eight position reduction of two years ago, (2) the promised shift in workload that has not occurred, and (3) indications that the number of logging operations requiring inspections is increasing.

MANAGEMENT SERVICES

The management services program provides executive management, policy direction, fiscal and personnel services, public information, training, and safety programs within the department. The budget requests \$12,527,000 and 279 authorized positions for the management services program in 1984-85.

Uncertain Cost of "Constant Rate of Pay"

We recommend that the Department of Forestry report during budget hearings on (1) the cost of providing year-round fire-mission pay in the current year, 1984-85 and in 1985-86, (2) the department's policy on charging Amador Plan counties for wintertime fire-mission pay and (3) whether the funds requested in the budget for financing year-round fire mission pay will offset reduced county payments to the department in 1984-85.

Permanent fire suppression personnel in the Department of Forestry generally work (1) a 72-hour duty week during the typical four- to eight-month fire season and (2) a regular 40-hour week during other times of the year. Fire suppression personnel working under contract to local government pursuant to "Schedule A" or "Amador Plan" agreements may work a 72-hour duty week year-round.

To compensate employees who must work a 72-hour duty week, the department traditionally has provided a fire mission salary bonus equal to 15 percent of base salary. For department employees providing fire protection in state responsibility areas, this bonus, along with the base salary, is paid from the department's General Fund appropriation. In the case of those CDF employees providing local fire protection under Schedule A contracts, local governments pay both the base salary and fire mission bonus.

1983-84 MOU Provisions. During 1983, the Department of Personnel Administration (DPA) reached an agreement with the Department of Forestry Employees Association (CDFEA) calling for firefighting personnel to be paid the full 15 percent fire mission salary bonus on a permanent, year-round basis. Under the memorandum of understanding (MOU) reflecting this agreement, one-half of the bonus (7.5 percent) became effective on January 1, 1984, and the full 15 percent bonus is to be achieved prior to the end of 1985-86. (This component of the 1983-84 MOU is generally referred to as the "constant rate of pay" provision.)

During the current year, the actual cost of implementing the constant-rate-of-pay provision should be about one-fourth of the eventual full-year cost. This is because (1) only one-half (7.5 percent) of the bonus rate will be paid during this fiscal year and (2) the increase is in effect for only the nonfire season portion of the first six months of calendar year 1984. The department reports that the cost of implementing the constant-rate-of-pay provision in 1983-84 will be \$800,000. This amount will be financed from the employee compensation item contained in the 1983 Budget Act,

DEPARTMENT OF FORESTRY—Continued

which is allocated by the Department of Personnel Administration (DPA).

For 1984–85, the budget includes *only* \$860,000 for the *full-year cost* of continuing the 7.5 percent salary bonus during the entire 1984–85 nonfire season. Neither the Department of Finance nor CDF have been able to explain why the 1984–85 cost is not \$1.6 million. One possible explanation is that DPA is providing too much money to CDF in the current year.

When the constant-rate-of-pay agreement is fully implemented by the end of 1985–86 and the full 15 percent fire mission bonus is paid year-round, we would expect the annual cost of this provision to be approximately double the budget year amount.

Amador Plan. Under existing Amador Plan agreements, counties contract with the department for structural fire protection services provided by regular permanent CDF employees during the winter months, when they are not engaged in wildland fire suppression. The state charges these counties only the *incremental* cost to CDF for providing this protection. The primary incremental cost has been the fire mission bonus (15 percent of base salaries).

CDF employees under the Amador Plan are required to work a 72-hour week in order to provide 24-hour, seven-day coverage at stations under contract. These CDF stations otherwise would be *closed* during the nonfire season and the employees would revert to a regular 40-hour week (for maintenance work and training) and would not receive the 15 percent fire mission salary bonus during this time of year.

During 1982–83, 19 counties paid the department \$395,719 for the fire-mission salary bonus.

Loss of Amador Plan Reimbursements Pending. The Director of Forestry has indicated that, as a result of the MOU, the department will have no basis for continuing to charge counties participating in the Amador Plan for *any* portion of CDF employees' salary costs.

If the department stops charging Amador Plan counties for fire mission bonus pay, we estimate that General Fund requirements to support CDF employees working under Amador Plan contracts will increase by \$465,000 in 1984–85. This is the amount that would be needed to replace county payments, and consists of the \$396,000 in reimbursements currently received from Amador Plan counties for the salary bonus, plus the 6 percent salary increase authorized during 1983–84 (\$23,743) and a 10.9 percent administrative charge imposed by the department on contract services (\$45,721). The department is not able to say whether any of the \$860,000 requested to continue the constant-rate-of-pay provision in 1984–85 will be used to replace reimbursements from Amador Plan counties.

Recommendation. Amador Plan counties already receive substantial benefits from the state because CDF currently provides them with structural fire protection, but charges them only for the department's incremental cost. We see no reason to eliminate all county contributions to the program, as the Director proposes, especially given that most rural and urban communities in California bear the *full* cost of structural fire protection.

We recommend that the department report to the Legislature during budget hearings on (1) the cost of the constant-rate-of-pay provision in the current year, 1984–85 and in 1985–86, (2) the department's policy on charging Amador Plan counties for the constant-rate-of-pay provision and (3) whether any part of the \$860,000 budgeted for this MOU provision is

intended to offset reduced county payments to the department during 1984-85.

Requested Increase in Workers' Compensation Funds May Not Be Justified

We withhold recommendation on \$1,915,000 from the General Fund requested for increased workers' compensation expenses, pending receipt of information showing the extent to which the state is subsidizing the cost of benefits paid to department employees working under contract to local government.

Under existing law, state employees who become disabled due to work-related injuries or illnesses are entitled to receive workers' compensation benefits. Because of the hazardous nature of the department's activities, work-related injuries and illnesses are relatively common among CDF employees.

In the current year the department will spend \$2,085,000 to cover the cost of workers' compensation benefits awarded to its employees. For 1984-85, CDF has requested a \$1,915,000 augmentation from the General Fund in order to fully fund its workers' compensation costs, bringing the total to about \$4 million in the budget year.

The department advises that it traditionally budgets for workers' compensation costs in an amount equal to a percentage of total salaries and wages. The CDF indicates that the percentage used in these calculations is based on the ratio of benefit payments to salaries during the past year. The Department of General Services, Office of Insurance and Risk Management pays individual claims submitted by CDF employees and later bills CDF for these costs.

Our analysis finds that under existing CDF budgeting practices, the state may be subsidized workers' compensation costs incurred on behalf of local agencies because the department does not bill for the actual cost of benefits under Schedule A contracts. Instead, it relies on the relationship between workers' compensation costs and salaries for the department as a whole. This practice, however, tends to understate the costs attributable to the Schedule A local agencies. Because CDF employees covered by Schedule A contracts work on a year-round basis, they face greater exposure to hazards than employees whose firefighting duties are primarily seasonal. Consequently, actual claims filed by Schedule A-related employees probably exceed the departmental average.

The department has not provided any information that would enable us to determine what portion of the department's costs for workers' compensation should be reimbursed by local agencies. Accordingly, we withhold recommendation on the request for payment of workers' compensation benefits, pending receipt of information from the department on the amount paid to Schedule A employees.

Safety Clothing for Fire Fighting Personnel

We recommend a reduction of \$448,000 in Item 3540-001-001 to delete funds to purchase an additional set of fire safety clothing for each employee because this benefit should be considered through collective bargaining and not granted unilaterally by the state.

For 1984-85, the budget proposes \$1,181,000 for safety clothing and equipment. This is an increase of \$756,000, or 178 percent, over the current year level. These funds are used to purchase "NOMEX" fire-resistant clothing issued to each permanent and seasonal fire suppression employee for wildland fire operations, safety clothing issued to each fire engine for

DEPARTMENT OF FORESTRY—Continued

use in building or house fires, safety helmets, fire shelters, respirators, gloves and miscellaneous safety items.

The increase proposed for the budget year would be used to:

- Provide two sets of fire fighting clothing and related equipment for each CDF fire engine (\$204,000),
- Replace 2,893 pairs of existing NOMEX pants which CDF indicates are no longer acceptable under existing Cal/OSHA requirements due to improper certification (\$104,000); and
- Issue a second complete set of NOMEX safety clothing to each of CDF's 6,395 permanent and seasonal fire fighting employees (\$448,000).

The department indicates that these expenditures are required by collective bargaining agreements and Cal/OSHA mandates.

Our analysis indicates that adequate justification exists for the (1) replacement of NOMEX pants which do not meet current Cal/OSHA standards, and (2) purchase of a second set of structural fire clothing for 584 CDF fire engines. A second set of safety clothing is needed on each engine so that CDF fire fighters can enter burning buildings in pairs. This clothing is issued to the engine, not to individual fire fighters.

We could not, however, find any specific provision of the Cal/OSHA regulations that mandates CDF to provide more than one complete set of NOMEX clothing to each fire fighter. In addition, we have reviewed the details of the department's memorandum of understanding (MOU) and can find no evidence that CDF is required to provide a second set of this clothing. The MOU indicates that the department "shall provide all safety clothing and equipment required by Cal/OSHA . . ." It is silent, however, on specifying the number of sets of safety clothing that must be provided by the employer. This part of the request appears to be primarily for the convenience of the employee and therefore should be addressed in collective bargaining for 1984-85.

Under the circumstances, funding for the 6,395 additional sets of NOMEX clothing should more properly be considered in connection with the \$220 million proposed for employee compensation in Item 9800-001-001. Accordingly, we recommend that the \$448,000 be deleted from the department's General Fund support item. This will still leave \$733,000 in the budget for purchases of other items of safety equipment and clothing, which is 72.5 percent more than the amount provided for the current year.

Energy Conservation Savings Not Reflected in Budget

We withhold recommendation on \$2,339,000/(various funds) requested for utility costs pending clarification by the department of (1) its current utility costs, (2) the reason for a 45 percent increase since 1982-83 and (3) savings realized from energy conservation projects.

For 1984-85, the department requests \$2,339,000 for its utility costs. This amount is \$134,000, or 6 percent, above estimated utility costs in the current year, and \$726,000, or 45 percent, above actual utility costs reported for 1982-83. This two-year increase is much greater than the increase experienced during the same time period by comparable departments, such as the Department of Parks and Recreation (23 percent), the Department of Fish and Game (13 percent) and the California Conservation Corps (no increase).

Since 1982-83, the only increase in utility costs specifically authorized

→ now recommend reduction of \$459,000, leaving \$1,880,000 for utility costs.

for state agencies in the budget planning process is the 6 percent price adjustment provided for 1984-85. The Department of Forestry indicates it has accomplished its \$726,000 increase in expenditures for utilities by redirecting funds from other categories, such as general expense. The department has not been able to explain the basis or need for this major increase in utility expenditures.

1982-83 Energy Conservation Project. In the 1982 Budget Act, the department received a one-time increase of \$442,000 from the Energy and Resources Fund to (1) purchase and install wood-burning stoves and central heating systems in 146 forest fire stations and ranger unit headquarter facilities, and (2) weatherstrip and insulate these and other CDF facilities. The facilities chosen for installation of wood heating systems were those located near readily available wood supplies. The CDF staff has indicated that the energy conservation measures implemented during 1982-83 will result in annual savings in excess of \$300,000.

Withhold Recommendation. The very large increase in CDF's utility budget over the last two years, despite significant savings from energy conservation projects, presents a confusing picture. We withhold recommendation on \$2,339,000 requested for utility costs in 1984-85 pending clarification by the department of (1) its current utility costs, (2) the reason for a 45 percent increase since 1982-83, and (3) savings realized from energy conservation projects.

New Controls Covering Use of State Aircraft

Last year, the Legislature adopted language in the *Supplemental Report to the 1983 Budget Act* that:

- Prohibits the Department of Forestry from using leased or state-owned aircraft to transport its executives to destinations that are within a two-hour driving distance or are well-served by commercial airlines; with certain exceptions allowed for personnel supervising ongoing emergency operations;
- Requires CDF to bill other departments for the full cost of using CDF aircraft;
- Directed CDF to report to the Joint Legislative Budget Committee by October 1, 1983, on measures the department has taken to (1) reduce its own use of aircraft for executive transportation, (2) secure reimbursement for all use of aircraft by other agencies, and (3) ensure that aircraft are not used on nonstate business; and
- Directs the Department of Finance (DOF) to revise the State Administrative Manual (SAM) to provide better management control and guidance over use of all state-owned aircraft for transportation of state employees generally.

DOF Response. In June 1983, the Director of Finance issued new SAM provisions regarding the use of state aircraft. The new SAM provisions restrict aircraft use to official departmental business, and prohibit use for executive travel (except under specific circumstances). Further, the provisions require that air transportation provided to other agencies be billed at full cost.

The new provisions also establish criteria governing the use of state-owned or leased aircraft. Commercial aircraft must be used whenever (1) the total cost of commercial travel is less than the cost of department-provided aircraft, (2) schedules are compatible with the department's needs, and (3) driving would require unreasonable trip times or excessive per diem costs.

DEPARTMENT OF FORESTRY—Continued

Finally, the new SAM provisions require that requests for approval of executive flights must be submitted in writing to the departmental approving authority at least 24 hours prior to the flight, but authorization may be given verbally under certain circumstances. Each department must maintain detailed monthly logs of aircraft use.

Under the new provision of SAM, the director of the affected department, or designee, may authorize exceptions to the general policy set forth in the manual.

CDF Response. Pursuant to the 1983-84 supplemental report requirements, the department submitted in early October its own report on its use of aircraft. This report consists primarily of a reiteration of the new SAM provisions and indicates that flights for support of CDF activities other than the aviation management program may be authorized only by the director, chief deputy or chief of fire protection. The CDF report also contained a sample request form for executive aircraft use. Beyond enclosing copies of the department's new internal guidelines, CDF did not indicate what specific measures or actions it has taken in the current fiscal year to (1) reduce aircraft use for transportation purposes, (2) secure reimbursement for use of CDF-owned or leased aircraft by other state agencies, or (3) ensure that such aircraft are used only for official state business.

Auditor General Report Pending. The Auditor General is completing an audit and evaluation of the use of state-owned and leased aircraft by the Departments of Forestry and Fish and Game from January 1980 through October 1983. Staff from the Auditor General's office have advised that their report will also contain an analysis of the new SAM sections, department guidelines covering aircraft use, and an evaluation of agency compliance with these new policies and procedures during 1983-84.

Employee Housing Rental Rates Increase Repealed

In the 1983 Budget Act, the Legislature approved an increase in rental rates for state housing provided to CDF employees. Chapter 1258, Statutes of 1983, repealed the increase. The department's estimated current-year expenditures include a \$291,000 General Fund deficiency to replace the revenue lost due to the repeal of the rate increase.

State housing for CDF employees is located at various ranger unit facilities, conservation camps, and fire stations. Rents for these houses currently range from \$70 to \$110 per month (including utilities) and have not been raised for several years.

DEPARTMENT OF FORESTRY—CAPITAL OUTLAY

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

Budget p. R 72

Requested 1984-85	\$4,184,000
Recommended approval	751,000
Recommended reduction	1,465,000
Recommendation pending	1,968,000

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

*Analysis
page*

1. Transfer of Savings to the General Fund. Recommend that savings resulting from our recommendation on projects to be funded from tidelands oil revenues—\$1,465,000—be transferred to the General Fund, in order to increase the Legislature’s flexibility in meeting high-priority needs statewide. 608
2. *Felton Ranger Unit Headquarters. Reduce Item 3540-301-036(4) by \$80,000.* Recommend deletion of proposed acquisition because price is too high and department has not attempted to negotiate a long-term lease. 609
3. Miramonte Conservation Camp. Withhold recommendation on \$180,000 requested for acquisition, pending receipt of (1) information justifying the size of the proposed acquisition, (2) an appraisal of the land, and (3) cost estimates for future projects that are planned for this site. 610
4. Redding Forest Fire Station. Withhold recommendation on \$1,091,000 requested for construction and equipment, pending receipt of revised cost estimate. Recommend technical change in Item 3540-301-036(6) to include apparatus building. 611
5. Perris Ranger Unit Automotive Shop. Withhold recommendation on \$461,000 for working drawings, construction, and equipment for Perris Automotive shop, pending receipt of revised cost estimate. 611
6. *DeLuz Forest Fire Station. Reduce Item 3540-301-036(8) by \$408,000.* Recommend elimination of construction funds because they will not be used in the budget year. Withhold recommendation on funds for preliminary plans and working drawings, pending receipt of revised cost estimate. 612
7. Redding Air Attack Base. Withhold recommendation on \$76,000 for preliminary plans and working drawings, pending receipt of (1) information on the need for requested parking and taxiway facilities, (2) an agreement with U. S. Forest Service providing for long-term use of the facility by the state, and (3) adequate cost estimates. 613
8. *Saratoga Forest Fire Station. Reduce Item 3540-301-036(10) by \$496,000.* Recommend elimination of construction and equipment funds because they will not be used in the budget year. Withhold recommendation on funds for pre-

DEPARTMENT OF FORESTRY—CAPITAL OUTLAY—Continued

- liminary plans and working drawings, pending receipt of
 (1) additional justification for two elements of project and
 (2) adequate cost estimates.
9. *Dulzura Forest Fire Station. Reduce Item 3540-301-036 (11) 614*
by \$481,000. Recommend deletion of project because
 (1) department has not examined all available alternatives
 and (2) no adequate cost estimates are available.
10. Minor Projects. Withhold recommendation on \$100,000 for 615
 one project, pending receipt of additional information.

ANALYSIS AND RECOMMENDATIONS

The budget proposes \$4,184,000 from the General Fund, Special Account for Capital Outlay, for various projects to be undertaken by the California Department of Forestry (CDF). Of this total, \$320,000 is proposed for acquisitions, \$3,073,000 is for planning and construction, and \$791,000 is for minor projects. Table 1 summarizes the department's 1984-85 capital outlay program and our recommendations.

Table 1
Department of Forestry
Capital Outlay Projects 1984-85
Item 3540-301-036
(in thousands)

<i>Project Title</i>	<i>Location</i>	<i>Phase^a</i>	<i>Budget Bill Amount</i>	<i>Analyst's Recommend- ation</i>	<i>Estimated^b Future Costs</i>
Kneeland Helitack Base	Humboldt County	a	\$45	\$45	—
Felton Ranger Unit Headquar- ters	Santa Cruz County	a	80	—	—
Miramonte Conservation Camp	Fresno County	a	180	pending	unknown
Redding Forest Fire Station	Shasta County	ce	1,091	pending	—
Perris Headquarters Auto Shop	Riverside County	wce	461	pending	—
DeLuz Forest Fire Station	San Diego County	pwc	433	pending	—
Redding Air Attack Base Recon- struction	Shasta County	pw	76	pending	\$1,470
Saratoga Forest Fire Station Ap- paratus Building	Santa Cruz County	pwc	531	pending	—
Dulzura Forest Fire Station Ap- paratus Building	San Diego County	pwce	481	—	—
Opportunity Purchases	statewide	a	15	15	—
Minor Projects	statewide	pwc	791	691	—
Totals			\$4,184	pending	\$1,470

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

^b Department estimate

Transfer Savings to General Fund

We recommend that the savings resulting from our recommendations on Item 3540-301-036 (\$1,465,000) 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 \$1,465,000 in the Department

of Forestry's capital outlay program funded from the Special Account for Capital Outlay. Approval of these reductions, which are discussed individually below, would leave unappropriated balances of tideland oil revenues in this special fund which 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 on Item 3540-301-036 be transferred to the General Fund.

Kneeland Helitack Base

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

The budget includes \$45,000 under Item 3540-301-036(3) for acquisition of 4.2 acres of land on which the Kneeland Helitack base (previously referred to as the Fernwood Helitack base) was recently constructed. The site has been leased since 1980 with an option to purchase. Rental is \$2,400 annually and the lease and purchase option will terminate in May 1985. The department has requested \$40,000 for acquisition and \$5,000 for administrative costs.

Our analysis indicates that the proposed acquisition is appropriate. The state has already spent \$85,000 to construct the Kneeland facility; acquisition of the land will enable the state to retain it.

We note that the Legislature provided \$35,000 for acquisition of this site in the 1980 Budget Act, but these funds were reverted in 1982 to help avoid a General Fund deficit. The reversion has resulted in additional costs to acquire the site. The current lease would have allowed the state to purchase the property in September 1982 for \$29,500. Sufficient funds were appropriated in 1980 to exercise this option, but they were reverted at the request of the Department of Finance. Although the department claimed that the project could be deferred without adverse consequences, this was not accurate. The state can no longer purchase the property at the price stipulated in the lease option. Instead, the price will have to be renegotiated with the owner.

To prevent this from occurring in the future, we recommend that the Department of Finance routinely advise the Legislature of projects in the budget that provide for exercise of a purchase option and indicate the option date. This will allow the Legislature to exercise such options at the proper time and thereby minimize acquisition costs.

Felton Ranger Unit Headquarters

We recommend that Item 3540-301-036(4), acquisition, Felton Ranger Unit Headquarters, be deleted for a savings of \$80,000, because the purchase price is too high and the department has not attempted to renegotiate a long-term lease with the owner.

Item 3540-301-036(4) requests \$80,000 for acquisition of a site at the Felton ranger unit headquarters. Specifically, the proposal would provide \$72,000 for acquisition and \$8,000 for administrative costs associated with the purchase of approximately one-half acre of undeveloped land adjacent to the existing Felton Ranger Unit Headquarters. The CDF currently rents this property for \$700 per year. The lease contains a purchase option that expires on October 1, 1984, while the lease itself expires on September

DEPARTMENT OF FORESTRY—CAPITAL OUTLAY—Continued

30, 1985. Terms of the lease require a \$50,000 base purchase price, adjusted for inflationary changes since 1980. This would result in a current purchase price of approximately \$60,000.

According to the department, acquisition of the land will allow the department to segregate its operational functions and improve traffic flow. The expansion work would involve paving parts of the property for parking and roads using minor capital outlay funds.

Our analysis indicates that the price of the proposed acquisition is too high. The state currently pays only \$700 per year for the property. Under the proposal, it would have to spend \$80,000 to acquire the property. Since, the lease does not expire for another year CDF should attempt to secure a long-term lease from owner before attempting to purchase the land at the contractual price which we believe is excessive. Consequently, we recommend that the item be deleted.

Miramonte Conservation Camp

We withhold recommendation on Item 3540-301-036(5), acquisition, Miramonte Conservation Camp, pending receipt of (1) information justifying size of the proposed acquisition, (2) an appraisal of the land by the Department of General Services, and (3) cost estimates for future projects that are planned for this site.

The budget proposes \$180,000 under Item 3540-301-036(5) for the purchase of 50 acres of land adjacent to the Miramonte conservation camp, Fresno County. Fifteen of the 50 acres currently are leased by CDF. Purchase of the leased land and the additional 35 acres is requested to allow the camp to expand, and to provide a security buffer to the approaching community. CDF has requested \$170,000 for acquisition and \$10,000 for associated administrative costs.

The Miramonte conservation camp currently houses 84 inmates from the California Department of Corrections. The Department of Corrections has urged CDF to enlarge its camps in order to house more inmates, and CDF indicates that with expansion, the facility could accommodate 100 to 120 inmates. The additional land would provide space for additional dormitories and related facilities. The CDF, however, has not requested such an expansion and has not presented cost estimates for this future expansion. The department also reports that the camp has had recurring sewage disposal problems because the existing sewer system is inadequate. A portion of the additional land would be used to correct this problem by constructing leach fields, ponds and sprinkler systems. Cost estimates have not been provided for these future improvements, either.

Our analysis indicates that the acquisition is needed. The demands of the state's increasing prison population warrant expansion of the camp, and a buffer to encroachment from the community is justified. At the time this *Analysis* was prepared, however, sufficient information on funding requirements was not available. First, it is unclear why CDF has requested funds to purchase 50 acres. The department should indicate why so much land is needed to expand the camp and provide a buffer. Second, the proposed acquisition should be reviewed by the Department of General Services to ensure that the purchase price is consistent with the market rates prevailing in the area. Third, because CDF plans to make a number of improvements to the camp, the department should provide the Legislature with an estimate of the future costs associated with this acquisition.

Pending receipt of this information, we withhold recommendation on this item.

Redding Forest Fire Station

We withhold recommendation on Item 3540-301-036(6), construction and equipment, Redding Forest Fire Station, pending receipt of a revised cost estimate of the project. We further recommend that a technical change be made in the budget to include the apparatus building as part of the project.

Item 3540-301-036(6) provides \$1,091,000 for construction (\$1,080,000) and equipment (\$11,000) for the Redding forest fire station.

The existing fire station is located on land leased from the City of Redding. The lease expires in June 1985 and the city has decided not to renew it. The new station will be constructed on land that is part of the U. S. Forest Service's Northern California Service Center at the Redding Airport. The CDF proposes a standard, two-engine, two-dozer station, with a 24-bed dormitory, a 50-person messhall, and a three-bay apparatus building with two offices.

Preliminary plans and working drawing funds in the amount of \$55,000 were appropriated for this project in the 1982 Budget Act.

The proposal is consistent with legislative intent and we recommend that construction and equipment funds be appropriated in the budget year. We are unable, however, to recommend an amount at this time since a revised cost estimate is not yet available. The Department of General Services, Office of State Architect (OSA), currently is preparing a cost estimate which it expects to complete in advance of budget hearings. Until this information is available, we withhold recommendation on the amount that should be appropriated.

In any event, technical correction should be made to the Budget Bill. Language under Item 3540-301-036(6) currently specifies that the funds are to provide construction and equipment for the barracks and messhall at Redding, *but* makes no mention of the apparatus building. The apparatus building is included in the Governor's budget, however, and both the justification for the project and the budgeted amount assume that all three facilities will be part of the project. Thus, we recommend that the item be amended to include the apparatus building with the barracks and messhall.

Perris Ranger Unit Automotive Shop

We withhold recommendation on Item 3540-301-036(7), working drawings, construction, and equipment, Perris Automotive Shop, pending receipt of revised cost estimates.

The department requests \$461,000 under Item 3540-301-036(7) for working drawings, construction, and equipment for replacement of the automotive shop at the Perris ranger unit headquarters. The requested amount includes \$13,000 for working drawings, \$413,000 for construction, and \$35,000 for equipment.

The automotive shop is used to maintain approximately 380 pieces of emergency fire equipment. The current structure was built in 1937 and is inadequate to meet the department's needs for servicing vehicles in this area. The Legislature previously has recognized the need to replace this facility, and the 1982 Budget Act provided \$21,000 for preliminary plans and working drawings for the project.

CDF proposes to construct a new metal automotive building using the

DEPARTMENT OF FORESTRY—CAPITAL OUTLAY—Continued

same design used to construct the San Andreas automotive shop in 1982-83. The new facility could provide space for five work bays, an office, parts and tools room, and flammable storage room. A vehicle hoist will also be installed to lift equipment. Funds for a complement of equipment for the facility are included in the request.

Our analysis indicates that this project is justified and should go forward. Preliminary plans were completed in March 1983. The OSA indicates that it currently is updating this cost information, and will make it available in advance of budget hearings. Consequently, we withhold recommendation on the amount of funding for this project, pending receipt of the revised cost estimate.

DeLuz Forest Fire Station

We recommend that Item 3540-301-036(8), preliminary plans, working drawings, and construction, DeLuz Forest Fire Station, be reduced by \$408,000 to eliminate funding for construction because these funds will not be needed in the budget year. We withhold recommendation on funding for preliminary plans and working drawings, pending receipt of a revised cost estimate for the project.

The budget includes \$433,000 for preliminary plans, working drawings, and construction for a new one-engine forest fire station at DeLuz in northern San Diego County. Of the total amount proposed, \$25,000 is requested for preliminary plans and working drawings and \$408,000 is requested for construction.

The current station is a metal prefabricated building that was relocated to the DeLuz site in 1954 and was considered temporary at the time. The department indicates that the station is too small and expensive to maintain and contains a number of health and safety violations.

The department originally submitted a proposal for a new DeLuz station in 1982-83. At that time, however, CDF was considering closing some low activity one-engine stations, including DeLuz, and funds to rebuild the station were not appropriated. The CDF reports that it has no plans to close this station, and that its strategic location should ensure its continued use.

The current proposal calls for replacement of the existing facility with a standard one-engine station, including an eight-bed barracks/messhall, two-bay apparatus building with one office. The department also plans to include a laundry room in the facility, a vehicle wash rack, and a new sewage disposal (leach line) system.

The budget includes funds for preliminary plans, working drawings, and construction. Because the preliminary design and associated cost estimate have not been completed, the adequacy of the requested construction funds cannot be substantiated. Moreover, based on historical time frames needed for completion of preliminary plans and working drawings, it is unlikely that the construction funds would be used in the budget year. Consequently, we recommend that the requested construction funds (\$408,000) be deleted from the item.

The OSA currently is developing cost estimates for this project. Until such estimates are available, we have no basis on which to recommend an appropriate funding level for preliminary plans and working drawings. Consequently, we withhold recommendation on this portion of the request, pending receipt of revised cost estimates.

Redding Air Attack Base

We withhold recommendation on Item 3540-301-036(9), preliminary plans and working drawings, Redding Air Attack Base, pending receipt of information on (1) the need for the requested parking and taxiway facilities, and (2) an agreement with the U.S. Forest Service providing for long-term use of the facility by CDF, and (3) costs, provided by OSA.

Item 3540-301-036(9) requests \$76,000 for the state's share of the cost involved in preparing preliminary plans and working drawings for replacement facilities at the Redding Air Attack Base. The CDF and the U.S. Forest Service will share the cost of this project on a 50-50 basis. The CDF estimates future construction costs at \$1,470,000, of which the state's share would be \$735,000. This cost has not been reviewed by the Office of State Architect.

The department indicates that the present air attack base facilities are in violation of federal air regulations. Specifically, the office, shop, and area for fuel mixing and storage are in the "no buildings allowed" zone of the airport because they are too close to the main runway. The CDF indicates that when the base was built, a portion was inadvertently constructed on city property. Later, when the city extended the main runway, a portion of the base was taken for air carrier and general aviation activity. In addition, the department indicates that reconstruction is needed because (1) the size of the current facility is too small and (2) the flame retardant storage tanks are in poor condition.

Our analysis indicates that some reconstruction work may be warranted, but that the request and plans for the project are excessive. Specifically, the department has requested that the new facility include a kitchen, laundry, recreation room, locker, and showers. No justification, however, has been presented for these support items. Moreover, the Redding forest fire station, the CDF Region II headquarters, and the U.S. Forest Service office, each of which includes some or all of these facilities are in close proximity and available to CDF personnel. In view of this, and given the fact that this facility is used only during the summer fire season it is not clear why additional facilities of this type are needed.

In addition, the department has requested parking and taxiways for ten large planes, although only four planes are stationed at the base during the fire season. This work alone will cost an estimated \$1 million. The existing facilities are large enough for these planes, however, some modifications may be needed because of other alterations. The department, however, has not provided any justification for enlarging the facility.

Finally, we do not believe it is in the best interest of the state to repair facilities which are not owned by the state unless there is a long-term use permit covering the facilities. Such special use agreements have been negotiated between CDF and the Forest Service for the Redding forest fire station and Region II headquarters; they should also be negotiated for use of the air attack base facilities.

Given the lack of adequate information on several key aspects of this project, we are not able to make a recommendation on the funding request at this time. Accordingly, we withhold recommendation pending receipt of information on (1) the need for altering the parking and taxiway for planes, (2) the long-term use agreement between CDF and the U. S. Forest Service, and (3) project costs from the OSA.

DEPARTMENT OF FORESTRY—CAPITAL OUTLAY—Continued**Saratoga Forest Fire Station**

We recommend that Item 3540-301-036(10), preliminary plans, working drawings, and construction, Saratoga Forest Fire Station, be reduced by \$496,000 to eliminate funding for construction and equipment. We withhold recommendation on funding for preliminary plans and working drawings pending receipt of (1) additional justification for barracks remodeling and resurfacing of parking area, and (2) the OSA cost estimates.

The budget contains \$531,000 under Item 3540-301-036(10) for preliminary plans, working drawings, and construction for improvements to the Saratoga Summit forest fire station in Santa Cruz County. This project provides for construction of (1) a replacement apparatus building, (2) additional employee and visitor parking, and (3) a fuel dispensing system, plus remodeling of existing barracks and messhall. The CDF estimates that preliminary plans and working drawings for the project will cost \$35,000, with construction costing \$495,000 and equipment costing \$1,000.

The department indicates that the present facilities were constructed in the 1930s, and that the apparatus building has deteriorated beyond repair. The building is not in compliance with a number of Health and Safety Code provisions and is too small to house modern equipment. Although the department maintains that the barracks and messhall and paved parking area are in poor condition, it does not identify the specific problems with these facilities. The project also includes replacement of the present 500-gallon gasoline tank with two 1,000 gallon tanks, as well as new pumps and a fuel island. The only justification presented for this aspect of the project is the need to provide both gasoline and diesel fuel.

Our analysis indicates that CDF has not provided adequate justification for all elements of this project, especially the remodeling of the barracks/messhall facility, resurfacing of the parking area and fuel storage. In addition, there is minimal detail on the size or cost of the proposed facilities. Accordingly, we withhold recommendation on this project, pending receipt of additional information on the need for the remodeling, resurfacing and fuel storage elements of the project. Adequate cost estimates should also be provided by OSA for all aspects of the project prior to the appropriation of funds.

Even if all elements of the project are to proceed, we believe that only preliminary plans and working drawings need to be funded in the budget year. The time required to complete preliminary plans and working drawings makes it unlikely that construction funds would be required in the budget year. In addition, it is impossible to substantiate the requested cost estimate for construction without preliminary design information.

Dulzura Forest Fire Station

We recommend that Item 3540-301-031(11), preliminary plans, working drawings, construction and equipment, Dulzura Forest Fire Station, be deleted because the department has not examined all available alternatives to the proposed facility and no cost estimates for the project have been provided.

Item 3540-301-036(11) contains \$481,000 for preliminary plans, working drawings, construction, and equipment for replacement of a one-engine fire station at Dulzura in southwest San Diego County. The project includes construction of a standard eight-bed barracks/messhall facility, a

three-bay apparatus building with two offices, storage, and work rooms, and a gas and oil house with two 1,000 gallon tanks and fuel pumps. Site development, grading, paving, and utility modifications are also included. CDF estimates that the cost for preparing preliminary plans and working drawings will be \$25,000. Construction is estimated at \$434,000, and equipment is budgeted at \$22,000.

The Dulzura camp has been in operation since CDF acquired the facility from Caltrans in 1973. The department indicates that the present facility does not conform to standard CDF forest fire facilities and is inefficient for regular operations. The department also indicates that the facility lacks space and has various fire/life safety code deficiencies. The CDF, however, has provided no evidence of these deficiencies.

The department has not investigated the possibility of expanding or modifying the present buildings. Before requesting a new facility, the department should examine other alternatives, such as constructing additions to the barracks/messhall to provide more bed space and additions to the apparatus building for additional storage and work space. In addition, the department should identify any fire and life safety code violations and obtain cost estimates from the OSA.

Given the general lack of information about this project and alternatives to it, we have no basis on which to recommend that it be funded in the budget year. Consequently, we recommend that the project be deleted.

Opportunity Purchases

We recommend approval of the \$15,000 requested for opportunity purchases of property.

Item 3540-301-036(2) provides \$15,000 for acquisition of land under opportunity situations. These funds will allow CDF to take advantage of land purchase options that become available unexpectedly. The department reports that these types of acquisitions generally fall into one of the following categories: (1) public agency surplus land sales, (2) resolution of land management problems, (3) acquisition of windfall offerings that become available during the year, and (4) acquisition necessary to solve health and safety problems. All proposed acquisitions must be approved by the State Public Works Board.

Minor Projects

We withhold recommendation on one minor project, pending receipt of additional information.

The budget proposes \$791,000 for 20 minor capital outlay projects under Item 3540-301-036(1). Ten of the projects (\$421,000) are for construction or remodeling of CDF buildings, including forest fire stations, air attack bases, regional offices, and the CDF Fire Academy. The remaining ten projects (\$370,000) are for minor improvements to facilities, including rewiring, water improvements, paving, and installation of emergency power facilities.

We withhold recommendation on one of the projects, and recommend approval of the others.

Miramonte Rewiring. The largest single request in CDF's minor capital outlay program is for \$100,000 to rewire the buildings at the Miramonte Conservation Camp. The department indicates that the work is to be completed by CDF contract, but no justification has been presented for the requested amount. In addition, as discussed above, the department proposes to acquire 50 acres of land and improvements at Miramonte, at

DEPARTMENT OF FORESTRY—CAPITAL OUTLAY—Continued

a cost of \$180,000. We are unable to reconcile the high cost of the rewiring project with the acquisition cost. For these reasons, we withhold recommendation on this project, pending receipt of justification for the amount requested.

Supplemental Report Language

For purposes of project definition and control, we recommend that supplemental report language be adopted at the time of budget hearings which describes the scope of each of the capital outlay projects approved under this item.

Projects by Descriptive Category

To aid the Legislature in establishing and funding its priorities, we have divided those capital outlay projects which our analysis indicates warrant funding into the following seven descriptive categories:

1. Reduce the state's legal liability—includes projects to correct life threatening security/code deficiencies and to meet contractual obligations.
2. Maintain the current level of service—includes projects which if not undertaken will lead to reductions in revenue and/or services.
3. Improve state programs by eliminating program deficiencies.
4. Increase the level of service provided by state programs.
5. Increase the cost efficiency of state operations—includes energy conservation projects and projects to replace lease space which have a payback period of less than five years.
6. Increase the cost efficiency of state operations—includes energy conservation projects and projects to replace lease space which have a payback period of greater than five years.
7. Other Projects—includes noncritical but desirable projects which fit none of the other categories, such as projects to improve buildings to meet current code requirements (other than those addressing life-threatening conditions), utility/site development improvements and general improvement of physical facilities.

Individual projects have been assigned to categories based on the intent and scope of each project. These assignments do not reflect the priority that individual projects should be given by the Legislature.

We have recommended a total of \$751,000 in capital outlay for the Department of Forestry. The major capital outlay projects recommended for funding are to improve programs (category 3) and the minor capital outlay projects fall generally under category 7.

Resources Agency
STATE LANDS COMMISSION

Item 3560 from the General
Fund

Budget p. R 74

Requested 1984-85	\$11,225,000
Estimated 1983-84	11,536,000
Actual 1982-83	9,695,000
Requested decrease (excluding amount for salary increases) \$311,000 (-2.7 percent)	
Total recommended reduction	None
Recommendation pending	200,000

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

*Analysis
page*

- | | |
|---|-----|
| 1. Additional Oil and Gas Development. Recommend enactment of legislation clarifying that the State Lands Commission must obtain a coastal permit from the California Coastal Commission before leasing state coastal tide- and submerged lands for oil and gas exploration or development. | 623 |
| 2. Forest Management Program. Recommend enactment of legislation authorizing the State Lands Commission to use proceeds from sale of state school lands to purchase other lands to consolidate holdings. | 625 |
| 3. Information Processing Systems. Withhold recommendation on \$200,000 pending receipt of an approved feasibility study report for the requested computer and word processing equipment. | 627 |

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 4,000,000 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. It leases land under its control for the extraction of oil, gas, geothermal, and mineral resources.
2. It exercises economic control over the oil and gas development of the tidelands granted to the City of Long Beach.
3. It determines boundaries and ownership of tide and submerged lands.
4. It oversees other land management operations, including appraisals, surface leases, and timber operations, and maintains records concerning state lands.
5. It administers tideland trusts granted by the Legislature to local governments.

The commission's headquarters is in Sacramento. Oil, gas, and other mineral operations are directed from an office in Long Beach. The commission has 269 authorized positions in the current year.

STATE LANDS COMMISSION—Continued**OVERVIEW OF THE BUDGET REQUEST**

The budget proposes an appropriation of \$11,225,000 from the General Fund for support of the State Lands Commission in 1984-85. This is a decrease of \$311,000, or 2.7 percent, below current-year expenditures estimated on a comparable basis. The reduction, however, makes no allowance for the cost of any salary or staff benefit increases that may be approved for the budget year.

In 1984-85, the budget proposes to finance the cost of overseeing oil and gas operations at Long Beach (\$2,962,000) directly from the General Fund, rather than from oil revenue as it is doing in the current year. This change (which is discussed in detail later in this analysis) will have no net effect on the General Fund. In comparing the budget request with current-year expenditures, we have included in current-year General Fund expenditures the cost of overseeing the Long Beach operations.

The commission proposes total expenditures in 1984-85 of \$12,058,000, including \$833,000 in expenditures from (non-Long Beach) reimbursements. This amount is \$551,000, or 4.4 percent, less than the \$12,609,000 that the commission expects to spend during the current year.

Significant Budget Changes

Table 1 summarizes the commission's proposed budget changes for 1984-85, by funding source.

Table 1
State Lands Commission
Proposed Program Changes by Funding Source
1984-85
(in thousands)

	<i>General Fund</i>	<i>Reimburse- ments</i>	<i>Total</i>
1983-84 Expenditures (Revised)	\$3,760	\$3,849	\$12,609
1. One-time appropriation for preleasing studies in Point Arguello to Point Sal	-1,185	—	-1,185
2. Increase in General Fund share of state school lands forest management program	220	-240	-20
3. Change funding source for Long Beach operations	2,776	-2,776	—
4. Upgrade information processing systems	200	—	200
5. Delete 7 positions for managing federal oil properties	-250	—	-250
6. Merit salary increases	117	—	117
7. Price increase, salary adjustments, and other adjustments	587	—	587
1984-85 Expenditures (Proposed)	\$11,225	\$833	\$12,058
Change from 1983-84:			
Amount	\$2,465	-\$3,016	-\$551
Percent	28.1	-78.4	-4.4

Revenue Sources

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. Most of this revenue is from oil and gas production on state tide and submerged lands along the coast of southern California. Table 2 shows the amount of tidelands oil revenue received in 1982-83, and estimates of the revenue which will be received

during 1983-84 and 1984-85. The table also includes figures on oil production, and illustrates how the state's revenue is determined.

Table 2
State Lands Commission
Tidelands Oil Revenue^a
1982-83 through 1984-85

	<i>1982-83</i> <i>Actual</i>	<i>1983-84</i> <i>Estimated</i>	<i>1984-85</i> <i>Estimated</i>
<i>Long Beach Operations (Net Profits)</i>			
Oil production from state lands (millions of barrels)	25.5	26.1	25.4
Price per barrel ^b	\$23.82	\$22.41	\$22.44
Gross Revenues:			
Oil Revenue (in millions)	\$608.4	\$585.7	\$570.9
Gas Revenue (in millions)	12.3	12.2	14.0
Total Gross Revenue	\$616.9	\$594.1	\$581.1
Deductions from Revenues (in millions):			
Operating expenses	-166.8	-174.6	-179.0
Investment in production facilities	-56.4	-59.3	-47.3
City and State Administrative Costs ^c	-12.8	-13.1	-10.4
Subsidence reserves and payments to city ^d	2.2	-18.2	-10.2
THUMS profit and overhead	-24.3	-23.3	-22.3
Local Taxes	-15.6	-21.4	-21.9
Windfall Profit Tax	33.7 ^e	-0.1 ^e	-3.8
City share of profit	-8.0	-7.0	-6.0
Adjustments	-5.7 ^f	-7.0	-6.0
Total Deductions	-258.1	-317.2	-300.9
Net Revenue to State—Long Beach (in millions)	\$358.8	\$277.0	\$280.2
<i>Statewide Leases (royalty)</i>			
Oil production (millions of barrels)	13.9	12.5	12.0
Price per barrel ^b	\$26.00	\$22.50	\$24.00
Average state royalty ^b (percent)	25.7	26.5	27.3
Oil Revenue to State (in millions)	\$92.7	\$74.4	\$78.7
Gas and Other Mineral Revenue (in millions)	9.1	10.6	11.3
Net Revenue, Statewide Leases (in millions)	101.8	85.0	90.0
Total Net Revenue (in millions)	\$460.6	\$362.0	\$370.2

^a Revenues subject to distribution under Section 6217 of the Public Resources Code. Based on State Lands Commission estimate of January 4, 1984.

^b Weighted average.

^c Includes reimbursements to the City of Long Beach and the State Lands Commission, a 1 percent pro rata charge paid to the city on operating and investment costs of the Long Beach Unit, and assessments paid to the State Division of Oil and Gas.

^d Includes annual payment of \$2 million into a subsidence contingency reserve.

^e This is a net revenue rather than a cost, due to the refund to the state of past windfall Profit Tax payments on the state's share of "cost recovery oil."

^f Will be used to purchase additional drilling and production equipment pursuant to agreements with the Department of Energy, in lieu of penalties for alleged violation of previous price regulations.

As Table 2 shows, the commission estimates that total net oil and gas revenues to the state will be approximately \$370.2 million in 1984-85. This

STATE LANDS COMMISSION—Continued

is \$8.2 million, or 2.3 percent, above estimated net oil and gas revenues in the current year.

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 that produces 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 associated with production at Long Beach.

The commission estimates that the net revenues from the Long Beach tidelands will be \$280.2 million in 1984-85, an increase of \$3.2 million, or 1.2 percent, over estimated current-year revenues of \$277.0 million.

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 coast. On these existing leases, 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 \$78.7 million in 1984-85, an increase of \$4.3 million, or 5.8 percent, over estimated revenue in the current year.

Other Potential Oil and Gas Development

In addition to overseeing the oil and gas development projects described above, the State Lands Commission is proposing to lease other submerged lands containing potentially major deposits of oil and gas.

Point Conception to Point Arguello. On December 23, 1982, the commission approved a bid package to lease 40,000 acres of state tide and submerged lands between Point Conception and Point Arguello along the Santa Barbara County coast. The commission estimates that oil and gas development on these lands will produce \$112 million from rent payments over the first three years of the leases, and approximately \$600 million in total net-profit revenues over the 20-year life of the leases. Although the commission anticipated awarding the leases in August 1983, litigation over the commission's environmental impact report process and a jurisdictional dispute with the Coastal Commission have caused an indefinite delay in the commission's lease program. The issue of leasing additional state tide and submerged lands for oil and gas development is discussed in more detail later in this analysis.

Point Arguello to Point Sal. The commission also planned to lease the northernmost 70,000 acres of state tide and submerged lands along the Santa Barbara County coast between Point Arguello and Point Sal. According to the commission, development of these lands could produce potentially major oil and gas revenues. Although the 1983 Budget Act included \$1,185,000 to do environmental and geological studies in preparation for leasing these lands, the commission has postponed activity in this area pending resolution of the disputes concerning the lease of the area from Point Conception to Point Arguello.

New Leases for Quitclaim Parcels. In addition to the new leases north of Point Conception, the commission is also planning to lease four other offshore parcels that previously were leased, but which were quitclaimed by the original lessees in the 1960s and 1970s. Three of these parcels are between Point Conception and Santa Barbara, and the remain-

ing parcel is south of Oxnard. Increases in the price of oil may make these parcels economically attractive now. Moreover, the previous lessees did not test a formation (the Monterey Zone) that is now known to be a major oil producer. The budget does not include any money in 1984-85 for leasing the quitclaimed parcels. The commission indicates that it also has postponed further activity on these parcels pending a resolution of the issues relating to the Point Conception-Point Arguello leases.

Arco's Coal Oil Point Discovery. The Arco Corporation has made a major oil discovery on existing state leases off Coal Oil Point, just west of U.C., Santa Barbara. Arco currently has one oil production platform on an adjoining lease. The company proposes to construct two additional double platforms to develop the Coal Oil Point field. Arco submitted its development plan to the State Lands Commission in December 1983 and requested a development permit. The commission notified Arco in January 1984 that its plan was incomplete. The commission estimates that once Arco submits a complete plan, the environmental impact report will take one year to complete. Arco must also obtain approvals from Santa Barbara County and other agencies. If the project is approved, the commission estimates that by 1990 Arco could start producing two million barrels of oil per year for approximately six years from the new field. At current prices, this would produce revenues to the state of approximately \$275 million per year during that period.

Proposed Allocation of Oil and Gas Revenue

Table 3 shows the allocation of tidelands oil revenues during the current year, how existing law allocates the revenue in 1984-85, and how the budget proposes to allocate the money in 1984-85.

Table 3
Allocation of Tidelands Oil and Gas Revenue
1983-84 and 1984-85

Allocation Priority	1983-84 ^a	1984-1985	
		Existing Law	Governor's Proposal
General Fund—for expenses of State Lands Commission and various minor distributions	\$9,210,000	\$10,500,000	\$10,500,000
California Water Fund	—	25,000,000	25,000,000
Central Valley Water Project Construction Fund.....	—	5,000,000	5,000,000
Resources Agency—Sea Grant	350,000	500,000	500,000
Capital Outlay Fund for Public Higher Education	69,635,000	125,000,000	95,374,000
State School Building Lease-Purchase Fund.....	—	200,000,000 ^b	100,000,000 ^c
Energy and Resources Fund.....	24,048,000	—	—
Special Account for Capital Outlay, General Fund.....	17,816,000	4,282,000	133,908,000
Santa Monica Mountains Conservancy Fund	5,000,000	—	—
Unappropriated Surplus, General Fund.....	214,609,000	—	—
Unallocated amount to be deposited into the General Fund ^d	21,332,000	—	—
Total Revenues	\$362,000,000	\$370,282,000	\$370,282,000

^a Pursuant to §6217 of the Public Resources Code, as amended by §151 of the 1983 Budget Act trailer bill (Ch 323/83).

^b Pursuant to §151 of the 1981 Budget Act trailer bill (Ch 102/81).

^c Section 11.10, 1984 Budget Bill.

^d Pursuant to Section 16301 of the Government Code.

STATE LANDS COMMISSION—Continued**ANALYSIS AND RECOMMENDATIONS****Long Beach Operations Funding Shift Would Increase the Commission's Flexibility**

The State Lands Commission currently is reimbursed for its cost in administering oil production at Long Beach *directly* from Long Beach oil revenues.

The budget proposes to shift the immediate source of funding for these costs—\$2,962,000 in the budget year—from reimbursements to the General Fund. As part of this funding shift, the Budget Bill includes language transferring an amount of tidelands oil revenues equal to the cost of the commission's Long Beach operations to the General Fund. This transfer will exactly offset the increased cost to the General Fund of supporting Long Beach operations.

The Long Beach operations unit accounts for approximately 27 percent of total commission expenditures. Personnel and resources budgeted in this unit currently must be used strictly for work related to operations in Long Beach because they are funded directly from reimbursements that the commission receives from the Long Beach oil revenue. Consequently, the commission cannot reallocate portions of these resources, even for short periods of time, to projects outside of Long Beach that might have a higher priority, such as oil activities along the Santa Barbara coast. The proposed funding shift would allow the commission to make the greatest use of its available resources.

School Lands Revenues

In addition to tidelands oil revenues, the commission estimates that it will receive about \$11.3 million in land rentals and revenue from "state school lands." These are lands which were granted by the federal government to the state in 1853 to help support public education within the state. These revenues currently are deposited directly into the General Fund.

Chapter 1213, Statutes of 1983, however, specifies that all revenues from school lands, net of the commission's costs to manage the lands, shall be deposited into the State Teachers' Retirement Fund (STRF), beginning on July 1, 1984. The budget proposes that \$1.0 million of State School Lands revenues in 1984-85 go to the General Fund to cover the cost of administering the school lands program, leaving \$10.3 million for deposit in the STRF.

Geothermal Revenues. The largest component of the STRF revenues will come from geothermal leases on former state school lands at The Geysers, where the state retained the mineral rights. The commission estimates that its geothermal revenues will be \$10.0 million in 1984-85, an increase of \$500,000 from estimated revenue of \$9.5 million during the current year.

No Transfer of Federal Oil Properties. The commission currently is negotiating with the Bureau of Land Management and the Department of the Interior to acquire 32,000 acres of nonmineral federal lands and an additional 30,000 acres of federal lands with identified mineral potential. These lands would be acquired by the state at no cost, in lieu of other lands which the state was at one time entitled to receive from the federal

government, but which are otherwise legally unavailable to California. Two of the sections of land which were retained by the federal government are located within the Naval Petroleum Reserve at Elk Hills in Kern County. These lands contain an estimated 60 million barrels of oil reserves worth approximately \$1.5 billion at current oil prices.

The 1983 Budget Act provided \$250,000 for seven positions to manage lands to be received in-lieu of the Elk Hills lands. Expenditure of these funds, however, is contingent upon the state actually receiving the in-lieu lands. The federal government has declined to transfer the Elk Hills parcels (or other property of equal value) to the state. Consequently, the commission has not needed or used the \$250,000. The budget, therefore, does not request the \$250,000 and seven positions authorized in the current year.

Stalemate in Additional Offshore Oil and Gas Development

We recommend the enactment of legislation clarifying that the State Lands Commission must obtain a coastal development permit from the California Coastal Commission before leasing state coastal tide and submerged lands for oil and gas exploration or development.

The State Lands Commission has indefinitely suspended all leasing of state tide and submerged lands off the Santa Barbara County coast because of a jurisdictional dispute with the Coastal Commission and pending litigation related to that dispute. Consequently, the scheduled August 1983 lease of the lands between Point Conception and Point Arguello has been postponed indefinitely, as has work on studies needed prior to leasing lands between Point Arguello and Point Sal.

Jurisdictional Dispute Between the State Lands Commission and the Coastal Commission. The California Coastal Commission administers the 1976 Coastal Act, which gives the Coastal Commission (and local governments with approved coastal plans) permitting authority over "development" in the state's coastal zone. The Coastal Commission contends that a lease is a development activity requiring a coastal permit.

The Coastal Act requires a permit for any "development" in the coastal zone. Furthermore, the Coastal Act (Section 30106 of the Public Resources Code) defines the term "development" to include a change in the density or intensity of use of land or a division of land. The process of dividing and leasing tide and submerged lands, therefore, may be construed as a "development" requiring a coastal development permit.

The State Lands Commission, however, claims that leasing decisions are policy decisions not subject to approval and permitting by the Coastal Commission, and that the Coastal Commission's role in leasing should be advisory and governed by another portion of the Coastal Act, Section 30404 of the PRC. That section requires the Coastal Commission to make periodic recommendations to other agencies, including the State Lands Commission, to encourage them to act in a manner consistent with the Coastal Act. An agency that does not implement the Coastal Commission's recommendations within six months must explain its actions to the Governor and the Legislature.

On May 25, 1983, the Coastal Commission voted to deny a permit to the State Lands Commission for the proposed Point Conception lease sale. Although the State Lands Commission never acknowledged that the Coastal Commission had permitting authority over leases, the State Lands Commission agreed to make various changes in its lease package in response to Coastal Commission comments. The Coastal Commission recon-

STATE LANDS COMMISSION—Continued

sidered the plan and granted a permit on August 23, 1983. A few days later, Santa Barbara County and several other parties filed suit in Santa Barbara County Superior Court contending that the Coastal Commission had not followed proper procedures prior to the permit hearing.

On October 25, 1983, the judge in the case ordered the Coastal Commission to rescind its action approving the permit and prohibited the State Lands Commission from conducting its lease program until it had received a coastal permit. On the following day, the Coastal Commission rescinded its prior approval and again denied a permit to the State Lands Commission for its Point Conception lease program. On the advice of both its staff counsel and the Attorney General's Office, the State Lands Commission ceased participating in the Coastal Commission's review process, in order to protect its legal position pending appeal of the judge's order.

In November 1983, the State Lands Commission asked the judge to reconsider his decision that coastal permits are necessary for offshore leases. The State Lands Commission expects the judge to respond by February 1984. The commission indicates that it will file an appeal if the judge does not reverse his earlier decision.

The State Lands Commission has suspended action on its Point Conception lease program—as well as activities related to other lease programs—pending a resolution of its jurisdictional dispute with the Coastal Commission.

Legislative Versus Judicial Resolution. The jurisdictional issue in dispute is the Legislature's intent as expressed in the Coastal Act. Rather than leave the issue for courts to decide, we believe the Legislature should clarify its intent directly. This will avoid the delay and uncertainty of a long court battle and, most importantly, it will ensure that the dispute is resolved as the Legislature desires. Accordingly, we recommend enactment of legislation which expressly defines the Coastal Commission's authority with regard to state offshore leases.

Leasing and Drilling Are Inextricably Intertwined. There is no dispute that the Coastal Commission *has* the authority to approve or deny permits over physical acts affecting the coastline, such as the exploration and development of oil and gas deposits. Without a coastal development permit, a lessee cannot undertake any exploration or development activity. If the Coastal Commission denies a development permit to a lessee, the lease could become worthless.

In addition, the conditions that the Coastal Commission can place on a development permit can significantly affect the profits of a lessee. For example, the Coastal Commission can limit the area in a lease tract in which drilling may occur, thereby limiting the amount of oil and gas within the tract that can be produced economically. The Coastal Commission also may require that the lessee take additional measures to mitigate potential environmental hazards, thereby increasing the cost of the development project. Consequently, Coastal Commission policies and actions will be very important to prospective lessees, regardless of whether the State Lands Commission's activities are subject to the Coastal Commission's jurisdiction.

Uncertainty about Coastal Commission policies and actions increases the financial risk faced by prospective bidders on off-shore leases. As a consequence, bids on these leases could be significantly lower than they would be if the Coastal Commission gives conceptual approval to future development by approving a permit for the lease sale. On this basis, we

conclude that the lack of a coastal permit at the outset of leasing activities probably would reduce state revenues from a lease sale.

Involvement of the Coastal Commission in oil leasing decisions will promote the full consideration of coastal planning issues *before* a lessee is selected and acquires any vested rights. This involvement also may result in lease conditions that more effectively mitigate coastal impacts while protecting the state's revenue interest.

We believe it makes sense from both a practical and fiscal standpoint, therefore, to provide to the Coastal Commission explicit permitting authority over offshore activity at the earliest point that the offshore activity is proposed—namely, during the leasing process. Accordingly, we recommend that legislation be enacted to clarify the Coastal Act and explicitly grant to the Coastal Commission permitting authority over offshore leases proposed by the State Lands Commission.

Forest Management Program

In addition to tide and submerged land the commission manages approximately 630,000 acres of land that the federal government has granted to the state since 1853 to help support public education. Of these "school lands," 17,000 acres are commercially productive timberlands. The commission anticipates that it soon will receive an additional 12,000 acres of productive timberlands from the federal government at unspecified locations, as a portion of the state's remaining entitlement under the federal School Lands Grant.

The commission estimates that sales of timber from school lands in 1983-84 will produce approximately \$300,000 in revenues to the General Fund. The commission estimates that its 1984-85 timber sales will produce approximately \$400,000 in revenue. Chapter 1213, Statutes of 1983, places all school lands revenue, net of commission costs to manage the lands, in the State Teachers' Retirement Fund (STRF), beginning in 1984-85.

The commission estimates that it will spend \$336,000 for its forest management program in 1983-84. This includes \$116,000 from the General Fund and \$220,000 from reimbursements from the California Department of Forestry (CDF). The department is reimbursing the commission from the Forest Resources Improvement Fund (FRIF), which was established to assist small forest owners in developing sound timber management practices.

The budget proposes to substitute General Fund support for the \$220,000 reimbursement in the budget year. The budget further provides that sufficient school lands revenue shall be deposited into the General Fund to offset the commission's school lands program costs.

Increasing Revenues From Timberlands

We recommend the enactment of legislation authorizing the State Lands Commission to use proceeds from sales of state school lands to purchase other lands of equal or greater value to the state.

Timberlands are Scattered. The 17,000 acres of commercial-grade timber on school lands is located on 55 separate, often-difficult-to-reach sites, primarily in Northern California. Because the timber lands are scattered, the commission has difficulty managing harvests and reforestation programs in the most effective manner possible.

Consolidation of Timber Land Could Increase Revenues. The budget proposes to continue the commission's forest management program at its current level. The expenditure of \$336,000 consists of approxi-

STATE LANDS COMMISSION—Continued

mately \$148,000, or 44 percent, for harvest preparation and reforestation, \$171,000, or 51 percent, for timberland consolidation and acquisition, and \$17,000, or 5 percent, for general supervision.

The commission's harvest program consists of appraising potential harvest sites, clearing brush from harvest areas, and marking trees for harvest. The commission then sells the standing marked trees to timber companies. After logging is completed, the commission plants seedlings and restores the logged area to a productive condition. The commission estimates that its harvest program will produce approximately \$450,000 per year in timber revenue on a sustained basis.

The commission indicates that with a staff of six foresters in the field, it cannot effectively manage the 55 scattered timber sites. As a consequence, the commission currently is attempting to consolidate its timber holdings by trading school lands for more centralized and accessible timber parcels. The commission's consolidation effort consists of surveying and appraising privately owned timberlands which the commission possibly could acquire via land trades. In addition, it is seeking to acquire an additional 12,000 acres of productive timberlands from the federal government as part of the land owed the state under the School Lands Grant.

By consolidating its timberlands, the commission can reduce the cost of traveling between sites as well as the cost of constructing individual access roads for each harvest. In addition, the consolidation program will provide the commission with an opportunity to acquire a less varied and superior stock of timber. The commission estimates that by consolidating its timberlands, it can approximately double its harvests and revenues—to about \$900,000 per year—within approximately 5 to 10 years. Unfortunately, trading lands as a means of consolidating timber stands is difficult.

Cash Transactions Better than Bartering. Chapter 908, Statutes of 1981, provides that the commission may trade school lands for lands of equal or greater value. Since this law became effective, however, the commission has conducted only one timberlands trade (with the Department of Forestry). It currently is negotiating land trades with several timberland owners that have property near existing state parcels. The commission indicates, however, that it could acquire this land more easily if it could acquire it with cash, rather than just with land.

Under current law, the proceeds from sales of school lands is deposited into the General Fund. Pursuant to Ch 1213/83, all school lands revenue, net of the commission's administrative costs, will be deposited into the STRF beginning July 1, 1984. Consequently, any trades that involve cash would require a prior appropriation.

Kapiloff Land Bank for Tide and Submerged Lands. Chapter 1471, Statutes of 1982, created the Kapiloff Land Bank Fund. This act provides that the State Lands Commission may accept payments in settlement of title disputes between the state and other parties over tide and submerged lands. The commission is the trustee over the payments, which are deposited into a land bank fund. The commission, as trustee, may spend monies in the fund to purchase other appropriate lands, which then become part of the state's public trust lands. The Kapiloff Land Bank Fund provides a mechanism to facilitate settlement of title disputes over public trust lands.

Our analysis indicates that a similar land bank mechanism for selling and acquiring school lands would allow the State Lands Commission to more efficiently consolidate its productive timberlands than the present land-trading system allows. Accordingly, we recommend that legislation be

enacted authorizing the commission to use proceeds from school lands sales to purchase other lands in order to consolidate holdings to reduce costs and increase revenue.

Upgrading Information Processing Systems

We withhold recommendation on \$200,000 requested for information processing systems, pending receipt from the commission of an approved feasibility study report on the proposed systems.

The budget requests \$200,000 from the General Fund to upgrade existing computer and word processing systems. This includes (1) \$120,000 for word processing equipment in the commission's Sacramento office and \$80,000 for a minicomputer and word processing equipment for its Long Beach operations unit. Proposed Budget Bill language would prohibit expenditure of these funds, however, until the Department of Finance approves a feasibility study report for the proposed system.

Our analysis indicates that the commission's existing word-processing equipment and current computer are not adequate to meet its needs. According to a preliminary study conducted by the Department of Finance's State Office of Information Technology (SOIT), the commission's current word-processing equipment does not have either the flexibility or the capacity to adequately process the various reports and other materials produced by the commission. The commission's 15-year-old computer is unreliable and replacement parts must be obtained by cannibalizing similar computers, which are becoming scarce.

Feasibility Study Report Needed. The commission has contracted with the Department of General Services to produce a detailed information-systems analysis. The results of this study, for which the commission expects to receive final approval from SOIT in May 1984, will more accurately assess the commissions needs. We, therefore, withhold recommendation on the proposed purchase of information processing equipment, pending receipt of the approved feasibility study report from the Department of Finance.

SEISMIC SAFETY COMMISSION

Item 3580 from the General Fund

Budget p. R 80

Requested 1984-85	\$403,000
Estimated 1983-84.....	1,824,000
Actual 1982-83	1,602,000
Requested decrease (excluding amount for salary increases) \$1,421,000 (-77.9 percent)	
Total recommended reduction/increase	None

GENERAL PROGRAM STATEMENT

The Seismic Safety Commission was established to improve earthquake safety in California. It does this by providing a consistent policy framework for earthquake-related programs, and by coordinating the administration of these programs throughout state government. The 17-member commission performs policy studies, reviews programs, and conducts hearings on earthquake safety. It advises the Legislature and the Governor on legisla-

SEISMIC SAFETY COMMISSION—Continued

tive proposals, state budgets and grant proposals related to seismic safety. In addition, it advises 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 19 authorized positions in the current year. This includes two limited-term positions which expire on June 30, 1984.

ANALYSIS AND RECOMMENDATIONS*We recommend approval.*

The budget proposes an appropriation of \$403,000 from the General Fund for support of Seismic Safety Commission activities in 1984-85. This represents a decrease of \$1,421,000, or 78 percent, from estimated current-year expenditures—largely due to the completion of one-time limited-term projects in the current year. The budget also reflects the elimination of 12 positions in the budget year. The commission's proposed base budget (\$384,000), not counting one-time or limited projects, reflects a 5 percent, or \$19,000 increase from the current year. The budget for the commission will grow by the cost of salary or staff benefit increases that may be approved for 1984-85.

Table 1 summarizes the proposed changes to the commission's budget.

Table 1
Seismic Safety Commission
1984-85 Budget Changes
(in thousands)

	General Fund	Federal Funds	Environmental	Totals
			License Plate Fund	
1983-84 Revised Expenditures	\$853	\$701	\$270	\$1,824
Baseline Adjustments—on-going programs				
Personal services adjustment	5	—	—	5
Increases to offset inflation	7	—	—	7
CALSTARS program	7	—	—	7
Baseline Adjustments—limited-term programs				
Completion of Coalinga Study (Ch 1191/83)	-100	—	—	-100
Completion of Southern California Earthquake Preparedness Project	-300	-500	—	-800
Completion of Northern California Earthquake Preparedness Project	—	-201	—	-201
Completion of pilot projects on earthquake educa- tion (Ch 785/81)	—	—	-270	-270
Carry over from current year (Ch 1046/80)	-69	—	—	-69
1984-85 Proposed Expenditures	\$403	—	—	\$403
Change 1984-85 over 1983-84:				
Amount	-450	-701	-270	-1,421
Percent	-52.8%	-100.0%	-100.0%	-77.9%

Conclusion of Limited-Term Projects

As noted above, the primary reason for the decrease in the commission's budget is the completion of four limited-term projects in 1983-84. These projects are discussed below.

Coalinga Study. Chapter 1191, Statutes of 1983, asked the Commission to conduct a comprehensive investigation of the earthquake that devastated the City of Coalinga in May 1983. The law specified that a report on the earthquake include (1) lessons learned for earthquake preparation and mitigation in California, (2) an assessment of the earthquake's impact on state and local safety programs and policies, and (3) recommendations to the Governor and Legislature.

The commission staff indicates that the report should be completed by June. The study has involved a number of state, federal, and local officials, as well as other researchers, and recommendations and guidelines for additional safety will be included in the report.

Chapter 1191 provided \$100,000 for the Coalinga study from State Lands Commission revenues. Since the study will be completed in the current year, \$100,000 has been deleted from the commission's 1983-84 base.

Southern California Earthquake Preparedness Project. Chapter 1046, Statutes of 1980, required the commission to initiate a comprehensive program to prepare the state for responding to the prediction of a major earthquake. The focus of the study has been emergency preparedness planning. A prototypical planning program has been implemented in several southern California counties. The commission anticipates that the project will be concluded in June.

Since the program will be finished during the current year, \$300,000 in current-year General Fund expenditures and \$500,000 in federal funds for the project have been deleted from the commission's budget base. Ten positions associated with the program have also been deleted. The commission staff indicates that the federal government has expressed some interest in continuing this program, but no specific proposal has been forthcoming.

Northern California Earthquake Preparedness. Funding was provided in July from the Federal Emergency Management Agency (FEMA) for further development of earthquake-hazard mitigation and emergency preparedness plan for the nine-county San Francisco Bay area. This project was approved pursuant to the provisions of Section 28 of the 1983 Budget Act.

The project was financed totally by federal funds and seeks to provide (1) an inventory, needs assessment and analysis of current local earthquake-mitigation programs and emergency response plans, (2) recommendations for future preparedness activities, and (3) development of a five-year work program to guide future preparedness activities in the bay area.

Federal funds (\$201,000 in 1983-84) provided support for a special consultant and an office technician. The commission anticipates completing the project in June. No additional funds are proposed for continuing the project.

Earthquake Education Programs. The California Earthquake Education Act of 1981 (Ch 785/81) authorized the Seismic Safety Commission to contract with the Lawrence Hall of Science at the University of California, Berkeley Campus, for development of a pilot program of earthquake education and preparedness for Alameda, Contra Costa, and Los Angeles Counties. The objectives of the program were to increase public aware-

SEISMIC SAFETY COMMISSION—Continued

ness regarding the causes and effects of earthquakes and the need for community action in coping with earthquake hazards. Chapter 785 specified that the program remain in effect for two years. Funding was provided from the California Environmental License Plate Fund.

The earthquake education program has established 17 different teaching tools which have been field-tested in school districts in the pilot counties. These tools consist primarily of teaching modules for science curricula. The commission indicates that the educational materials may be distributed statewide by the California Department of Education or Lawrence Hall when the program's authorization expires at the end of the current year.

Since the education program will expire in June, funding from the California Environmental License Plate Fund (\$270,000 in the current year) has been deleted from the commission's budget base.

Commission Activities Planned for 1984-85

The commission indicates that its activities during the budget year will concentrate on developing recommendations to improve the state's ability to recover from a major earthquake. These activities will include studies of the impact of earthquakes on lifelines, critical facilities, and industries. The commission also indicates that it plans to study the implementation of previously developed recommendations.

Our analysis indicates that the activities planned for 1984-85 are part of the commission's ongoing program and responsibilities and we recommend approval.

Resources Agency

DEPARTMENT OF FISH AND GAME

Item 3600 from the General Fund and various special funds

Budget p. R 82

Requested 1984-85	\$64,536,000
Estimated 1983-84.....	58,020,000
Actual 1982-83	53,317,000
Requested increase (excluding amount for salary increases) \$6,516,000 (+11 percent)	
Total recommended reduction	3,125,000
Recommendation pending	1,200,000

1984-85 FUNDING BY ITEM AND SOURCE

Item	Description	Fund	Amount
3600-001-001—Support—Nongame Species and Environmental Protection Programs, Upper Newport Bay Wetland Restoration		General	\$5,894,000
3600-001-140—Support—Nongame Species and Environmental Protection Programs, Salmon Restoration Projects		California Environmental License Plate	6,858,000
3600-001-200—Support		Fish and Game Preservation	50,649,000

3600-001-890—Support	Federal Trust	(10,329,000)
3600-001-940—Salmon Restoration Projects	Renewable Resources Investment	1,135,000
Total		<u>\$64,536,000</u>

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

Analysis page

1. **Vehicle and Equipment Replacement.** Reduce (a) Item 3600-001-001 by \$49,000 (General Fund), (b) Item 3600-001-200 by \$460,000 (Fish and Game Preservation Fund), and Item 3600-001-890 by \$239,000 (Federal Trust Fund). Recommend reduction of \$748,000 from various funds because there is no expenditure plan for these funds and an increase in operating expenses and equipment has not been justified. 635
2. **Staff reduction for Environmental Services.** Withhold recommendation on the department's proposal to eliminate 6 positions and \$200,000 from environmental review and evaluation program, pending receipt of information clarifying the impact of the reduction on program effectiveness. 636
3. **Private Wildlife Management Areas.** Recommend department report to fiscal subcommittees during budget hearings on the status and costs of administering the private wildlife management area program authorized by Ch 835/83. 636
4. **Federal Land Habitat Improvement Projects.** Withhold recommendation on \$1 million requested for wildlife habitat improvement projects on federal lands, pending (a) receipt of information on how prior appropriations were spent and what was accomplished by these expenditures and (b) identification of those projects that should be financed from the Fish and Game Preservation Fund, rather than the Environmental License Plate Fund (ELPF). 637
5. **Salmon Trollers Stamp Account Surplus.** Reduce Item 3600-001-140 by \$414,000 and increase Item 3600-001-200 by \$414,000. Recommend that support for salmon spawning gravel and habitat improvement projects be shifted from the ELPF to the Fish and Game Preservation Fund because this is the appropriate funding source for salmon-related activities. 638
6. **Upper Newport Bay Enhancement Project.** Reduce Item 3600-001-001 by \$1,901,000. Recommend deletion of funds for additional dredging, wetland expansion, and erosion control work in Upper Newport Bay, because (a) engineering plans, design specifications, and costs estimates have not been developed, and (b) there is no basis for determining what the state's share of project cost should be. Further recommend that the department report at budget hearings on (a) the funding needed to prepare these plans and (b) the status of cost-sharing proposals under discussion with local governments. 639
7. **Bolsa Chica Wetland Expansion Project.** Reduce Item 641

DEPARTMENT OF FISH AND GAME—Continued

- 3600-001-001 by \$113,000.* Recommend deletion of funds to enlarge existing Bolsa Chica ecological reserve because until the plan required by Ch 1203/83 has been completed, the project is premature.
- 8. *Rancho Del Oro Wetlands Mitigation. Reduce Item 3600-001-140 by \$258,000.* Recommend deletion of funds to establish new wetland area near Mission San Luis Rey because the apparent purpose of the project is to mitigate the adverse impact from construction of an adjacent shopping center, recently approved by City of Oceanside, that will destroy an existing wetland area. 642
- 9. *Buena Vista Flood Control project. Reduce Item 3600-001-140 by \$105,000.* Recommend deletion of funds for construction of Buena Vista Lagoon wier because project is (a) premature and (b) designed primarily for local flood control purposes, rather than wildlife enhancement. 643
- 10. Contaminated Fish. Recommend adoption of supplemental report language directing the department to (a) warn anglers about an advisory by the Department of Health Services concerning contaminated fish in Lake Nacimiento and (b) report to the Legislature during budget hearings on recent findings of mercury contamination in fish taken from Clear Lake and Lake Berryessa. 643

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 Fish and Game Commission, which is composed of five members appointed by the Governor, sets policies to guide the department in its activities, and regulates the taking of fish and game under a 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 generally has reserved for itself the authority to regulate the commercial taking of fish and game.

The department has 1,598 authorized personnel-years in the current year.

OVERVIEW OF THE BUDGET REQUEST

The budget requests appropriations of state funds totaling \$64,536,000 for support of the Department of Fish and Game (DFG) in 1984-85. This amount is \$6,516,000, or 11 percent, above estimated current-year expenditures from state funds. This increase will grow by the amount of any salary or staff benefit increases approved for the budget year. Estimated expenditures for 1983-84 have not been adjusted to reflect any savings which may result from the freeze on employee hiring and contracts imposed earlier in the current year by the Governor. As a consequence, current-year expenditures may be less than indicated in the budget.

The department estimates that expenditures from all funding sources will total \$82,253,000 during 1984-85, an increase of \$6,254,000, or 8.5 percent, over the current-year amount. These expenditures will be financed from the following sources:

General Fund	\$5,894,000
Fish and Game Preservation Fund (FGPF)	50,649,000

Environmental License Plate Fund (ELPF)	6,858,000
Renewable Resources Investment Fund (RRIF)	1,135,000
Federal Trust Fund	10,329,000
Reimbursements	5,282,000
Total	\$80,253,000

Increased Spending from the General Fund and the Environmental License Plate Fund

The level of expenditures proposed from the Fish and Game Preservation Fund (FGPF) in 1984-85 is approximately the same as the estimated level for the current year. The budget, however, proposes major increases in funding from the General Fund and the Environmental License Plate Fund (ELPF) for DFG programs in the budget year.

Proposed General Fund expenditures in 1984-85 for nongame and environmental protection activities total \$5,894,000, *an increase of 74 percent compared with the current-year level*. Most of this increase would be used to support the Upper Newport Bay and Bolsa Chica wetlands projects.

Proposed expenditures from the ELPF are \$3,154,000, or 85 percent, above the current-year level. The increase reflects (1) a variety of new wildlife enhancement projects and (2) a proposed \$900,000 shift in the source of funding for salmon restoration work from the Renewable Resources Investment Fund (RRIF) to the ELPF.

Significant Budget Changes

Table 1 summarizes the department's proposed budget changes, by funding source. The major changes are as follows:

- A reduction of \$1,441,000, representing the one-time cost of aircraft purchased in the current year.
- Elimination of 49 personnel-years of staff from various programs due to "program efficiencies". This proposal is part of the Governor's plan to reduce the overall number of state employees by 3 percent. Although the total cost of these positions is \$1,062,000, the budget proposes to redirect \$732,000 of this amount to augment operating expenses and equipment, resulting in a net savings of only \$379,000—all of it in scheduled reimbursements.
- Elimination of 6 positions in the Environmental Services Branch, for a savings of \$200,000 to the ELPF, due to a policy of "a more selective in-depth review" of projects.
- An increase of \$2,014,000 from the General Fund for additional dredging and wetland restoration work in Upper Newport Bay (\$1,901,000) and enlargement of the existing Bolsa Chica Marsh (\$113,000) in Orange County.
- A shift in the source of funding for enforcement-related activities of \$402,000 from streambed permit fee reimbursements to the General Fund (\$295,000) and the FGPF (\$106,000).
- An increase of \$1 million from the ELPF to finance various habitat improvement projects on federal lands in California.
- A shift in the source of funding for salmon habitat improvement grants to nonprofit groups from the RRIF to the ELPF (\$900,000).
- An increase of \$551,000 from the ELPF for additional salmon improvement grant projects along the Mattole, Klamath and Trinity Rivers (\$244,000), and gravel restoration for the Klamath, Sacramento and Shasta Rivers (\$307,000).

DEPARTMENT OF FISH AND GAME—Continued

- An increase of \$258,000 from the ELPF for the Rancho Del Oro wetlands project near the City of Oceanside.
- An additional \$200,000 from the ELPF for Bighorn sheep management and research activities in the southern California desert mountains.
- An increase of \$169,000 from the ELPF to assist the Los Angeles and San Diego Zoos in returning California condor chicks reared in captivity to their native habitat in the mountains of Ventura County.
- An increase of \$107,000 from the ELPF for flood control at the Buena Vista Lagoon in the City of Oceanside.

Table 1
Department of Fish and Game
Proposed Budget Changes by Fund
(in thousands)

	<i>Fish and Game Preservation Fund</i>	<i>General Fund</i>	<i>Environ- mental License Plate Fund</i>	<i>Renewable Resources Investment Fund</i>	<i>Federal Funds</i>	<i>Reim- burse- ments</i>	<i>Totals</i>
1983-84 Base Budget (Revised)	\$48,928	\$3,383	\$3,704	\$2,005	\$10,004	\$5,935	\$73,999
1. Major Changes							
a. Aircraft replacement.....	-1,441	—	—	—	—	—	-\$1,441
b. Program and administrative effici- encies	—	—	—	—	—	-379	-379
c. Environmental services program reduction	—	—	-200	—	—	—	-200
d. Bolsa Chica/Upper Newport Bay wetlands projects	—	2,014	—	—	—	—	2,014
e. Streambed alteration permit fund- ing shift.....	107	295	—	—	—	—	402
f. Habitat improvement projects— federal lands.....	—	—	1,000	—	—	—	1,000
g. Salmon improvement grant projects—funding shift	—	—	900	-900	—	—	—
h. Salmon habitat improvement projects—augmentation	—	—	551	—	—	—	551
i. Rancho Del Oro wetlands project	—	—	258	—	—	—	258
j. Bighorn sheep management	—	—	200	—	—	—	200
k. California condor reintroduction project.....	—	—	169	—	—	—	169
l. Buena Vista Lagoon wier	—	—	107	—	—	—	107
2. Merit salary adjustments, inflation ad- justment, price increases, and miscel- laneous changes	3,055	202	169	136	285	-274	3,573
1984-85 Expenditures (Proposed)	\$50,649	\$5,894	\$6,858	\$1,241	\$10,329	\$5,282	\$80,253
Changes from 1983-84							
Amount	\$1,721	\$2,511	\$3,154	-\$764	\$285	-\$653	\$6,254
Percent	3.5%	74.2%	85.2%	38.1%	3%	-11%	8.5%

ANALYSIS AND RECOMMENDATIONS**Savings from Staff Reductions Redirected to Unspecified Equipment Purchases**

We recommend a \$748,000 reduction to various funds in order to delete funds requested for unspecified and unjustified equipment purchases. (Reduce Item 3600-001-001 (General Fund) by \$49,000, Item 3600-001-200 (Fish and Game Preservation Fund) by \$460,000 and Item 3600-001-890 (federal funds) by \$239,000.)

As part of the Governor's proposal to reduce the number of state employees by 3 percent in 1984-85, the budget proposes to eliminate through "program efficiencies" 49 personnel-years from various DFG programs, for a savings of \$1,127,000. Of this amount, the department proposes to redirect \$748,000 to replace vehicles and purchase other unspecified equipment.

Ongoing Equipment Cost in Current Year. For the current year, the budget indicates that the department will spend \$3,874,000 for equipment. Of this amount, approximately \$1,788,000 is for one-time expenditures, including expenditures to replace departmental aircraft (\$1,441,000). After deleting these one-time expenses, the base amount for ongoing equipment purchases is \$2,086,000 in the current year.

Equipment Request for 1984-85. For the budget year, DFG has requested a total of \$3,828,000 for equipment purchases. This is an increase of \$1,742,000, or 84 percent, above the current-year base. Of this amount, \$125,000 represents a 6 percent adjustment to offset the effects of inflation on ongoing equipment purchases and \$869,000 is specifically requested in a budget change proposal and in the department's schedule of equipment. The balance—\$748,000—would be redirected from savings that will be achieved through elimination of the 49 positions discussed above.

No Expenditure Plan for Augmentation. The department's request for the \$748,000 is based on two considerations. First, the department has not met its normal vehicle replacement schedule in recent years because freezes have been placed on automotive purchases during three of the last four years. Second, when the budget was being prepared last fall, the union representing DFG wardens was seeking through arbitration to require the replacement of all departmental vehicles once they reach 85,000 miles.

At the time this analysis was prepared, the department had not submitted a specific plan for spending the \$748,000 requested for equipment replacement. The department has stated simply that it has a \$2 million deficit in total equipment needs and that its first priority in spending the \$748,000 would be for vehicle replacement. These vehicles would be in addition to 160 replacement vehicles funded in the department's base equipment budget. The number and type of additional vehicles that might be purchased with the \$748,000 is unknown at this time.

We also note that part of the department's reasoning for requesting the increase no longer applies. The arbitration case brought by the union has been resolved in favor of the department. Consequently, vehicles driven by wardens will not be replaced automatically at 85,000 miles. Instead, each vehicle will now be inspected by the Department of General Services at 85,000 miles to determine whether it is more cost-effective to retain the vehicle or replace it.

Recommendation. We conclude that the department has not provided adequate justification for redirecting the \$748,000 savings from staff reductions to the equipment budget. Accordingly, we recommend that these funds be deleted as follows:

DEPARTMENT OF FISH AND GAME—Continued

- Fish and Game Preservation Fund (Item 3600-001-200)—\$460,000
- General Fund (Item 3600-001-001)—\$49,000
- Federal Trust Fund (Item 3600-001-890)—\$239,000

Reduction in Environmental Review and Evaluation

We withhold recommendation on the department's proposal to eliminate six positions and \$200,000 (Environmental License Plate Fund) from the environmental review and evaluation program, pending receipt of information from the department on how this proposal would affect program effectiveness.

The department proposes to eliminate a total of 10 positions in its Environmental Services Branch. Four of these positions are being terminated as part of the departmentwide effort to eliminate 49 personnel-years by instituting program efficiencies. The remaining 6 positions would be terminated due to a *policy* decision to establish a "more selective in-depth review of projects." This policy decision would result in a \$200,000 savings to the Environmental License Plate Fund (ELPF).

Impact of the Reduction is Unknown. The 10 positions to be eliminated are in the environmental review and evaluation program element of DFG's Environmental Services Branch. For the current year, this program element has 53.8 authorized personnel-years and a budget of \$2.6 million. The workload of this unit consists of reviewing the potential impact of commercial, industrial, timber, hydroelectric, mining and other projects on the fish and wildlife resources and habitat of California.

The proposed elimination of 10 positions would reduce the unit's staff level by 19 percent. In response to our requests for information, DFG has been unable to identify the types of projects that will receive less detailed review as a result of this reduction. Under the circumstances, the Legislature has no way of determining how the proposal will affect workload and program effectiveness.

We believe that the four-position reduction in the DFG's Environmental Services Branch, proposed as part of the departmentwide effort to achieve program efficiencies may be feasible, and on this basis, we recommend that it be approved. The proposed reduction of an additional 6 positions, however, could have an adverse impact on the department's program. We believe the department should advise the Legislature on the specific program efficiencies to be implemented and the criteria which will be used to determine the depth of review each project receives, so that it can decide whether the additional reduction is warranted. Consequently, we withhold recommendation on the proposed elimination of these 6 positions, pending clarification by DFG of the impact this reduction would have on workload and program effectiveness.

Expansion of Private Wildlife Management Program Still Pending

We recommend that the Department of Fish and Game report during budget hearings on the implementation of Ch 835/83, including (1) the number of additional landowners and commercial hunting clubs that are likely to participate in the newly authorized private wildlife management area program, (2) the department's plans for supervising the program, and (3) the estimated annual costs and fee revenues associated with the program.

Chapter 857, Statutes of 1980, authorized DFG to license private wildlife

management areas under a special three-year pilot project limited to Monterey, San Luis Obispo, Kern, Kings, and San Benito Counties. To obtain a license, landowners are required to (1) pay a \$100 application fee and (2) submit a general management plan to the Fish and Game Commission for its approval.

The purpose of the pilot program authorized by Ch 857/80 was to encourage landowners operating private membership and commercial hunting clubs to undertake management projects, such as controlled burning, vegetation planting, and other measures, to improve their property's capacity for producing wildlife.

Chapter 835, Statutes of 1983, continues the licensing program on a statewide basis. In addition, Ch 835/83 authorizes the Fish and Game Commission to establish special bag limits and hunting regulations for private wildlife management areas. These special hunting regulations would be different than those applicable to lands located elsewhere in the state. This provision provides landowners with an incentive to participate in the program and improve wildlife habitat on their property.

Budget Year Impact. During hearings on Ch 835/83, the department advised the Legislature that the cost of administering an expanded private wildlife management program statewide was unknown, but potentially significant. According to the department, the costs will depend on (1) the number of licenses issued and (2) the level of effort required to monitor the activities of licensed areas and to review their management plans. Chapter 835 requires the commission to establish a schedule of license fees and animal identification tags adequate to cover DFG's cost in administering the program.

At the time this analysis was prepared, the commission had not adopted a schedule of fees or regulations to govern the licensed areas. Furthermore, the number of new ranches and other properties that are likely to participate in the newly expanded program is still unknown.

The department's budget makes no provision for either the costs or the revenues from permit fees associated with the private wildlife management program. Thus, the Legislature has no basis for determining the extent to which the program is being implemented in accordance with legislative intent. Accordingly, we recommend that the department report during budget hearings on (1) the number of additional landowners and commercial hunting clubs that are likely to seek licenses under the private wildlife management program authorized by Ch 835/83, (2) how the department will supervise the program, and (3) the estimated annual cost and fee revenue associated with the program.

Federal Land Habitat Improvement Projects

shift \$743,000 to Fish + Game Fund.

We withhold recommendation on \$1,000,000 requested from the Environmental License Plate Fund for wildlife habitat improvement projects on federal lands, pending receipt of information on (1) the amount of state funds spent for similar projects in prior years and the results of those expenditures, and (2) the number and cost of projects proposed for 1984-85 which benefit game species and should be financed from the Fish and Game Preservation Fund.

The budget requests \$1 million from the Environmental License Plate Fund (ELPF) to finance 60 fish and wildlife habitat improvement projects on federal lands in California administered by the U.S. Forest Service (USFS) and the Bureau of Land Management (BLM). The DFG received a total of \$2 million to finance similar projects on federal lands in the 1981

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and 1982 Budget Acts. This is the first time, however, that DFG has requested funds from the ELPF for improvement of wildlife habitat on federal lands. Previous projects have been financed from the Energy and Resources Fund.

The USFS administers approximately 20 million acres of federal land in California, while the BLM administers approximately 15 million acres of public domain lands within the state. The USFS and BLM lands constitute approximately 35 percent of the state's total land area. Thus, federal lands provide the largest single source of open space and habitat for the state's fish and wildlife resources.

The department proposes to use the \$1 million requested from the ELPF to contract with the USFS and BLM for (among other things) approximately 60 habitat improvement projects including vegetation management, salmon stream restoration, development of forage and water supplies for deer and upland game bird species, and establishment of additional habitat and nesting sites for waterfowl. Approximately \$722,000 would be allocated to the USFS for 45 projects and \$278,000 would be allocated to BLM for 15 projects.

Information on Prior-Year Projects Not Available. The DFG has been unable to identify how much of the \$2 million provided to the two federal agencies in past years has been spent. Moreover, the department does not know which projects funded from the prior state appropriations have been completed and which have been delayed or deferred. The DFG indicates that completion of some prior-year projects has been delayed because of heavy snow pack and high runoff last year, which restricted access to some project sites.

Potential Alternative Funding Source. Our analysis of the federal projects for 1984-85 indicates that much of the proposed work will enhance habitat for *game* species such as deer, waterfowl and upland game birds. As such, funds for this work should be provided from the Fish and Game Preservation Fund.

Recommendation. We believe that before the Legislature provides a third-year funding for habitat improvement work on federal lands, it should know how the \$2 million already appropriated for this work has been expended and what has been accomplished by that investment of state funds. In addition, the Legislature should have a listing of specific projects to be funded so that it can determine the appropriate funding source for this request. The department also should identify projects which primarily benefit game species and which, therefore, could be funded from the Fish and Game Preservation Fund. Pending receipt of this information, we defer recommendation on the department's request.

Commercial Salmon Trollers Stamp Account Surplus

*Withdraw
rev.* We recommend that the source of funding for salmon enhancement projects be shifted from the Environmental License Plate Fund to the Fish and Game Preservation Fund because surplus salmon stamp revenue can and should be used for salmon-related activities. (Reduce Item 3600-001-140 by \$414,000 and increase Item 3600-001-001 by the same amount.)

The budget proposes appropriations totaling \$3,147,000 for various salmon fishery enhancement and restoration projects as follows:

- \$307,000 from ELPF for spawning gravel restoration work at sites on the Klamath, Shasta and Sacramento Rivers

- \$244,000 from ELPF for grants to nonprofit groups for salmon stream improvement projects on the Mattole, Klamath and Trinity Rivers.
- \$1,135,000 from the Renewable Resources Investment Fund (RRIF) to continue an ongoing contract with the California Conservation Corps (CCC) for salmon spawning barrier removal work on north coast streams
- \$900,000 from the ELPF for grants to nonprofit groups and others for other salmon habitat improvement projects pursuant to Ch 334/81, and
- \$561,000 from commercial salmon fishing stamp revenue in the Fish and Game Preservation Fund for other ongoing and new salmon fishery enhancement projects.

Expenditure Plan for Salmon Stamp Revenue. Chapter 184, Statutes of 1982, established a new fee schedule for the commercial salmon troller's stamp in order to make additional funds available for salmon enhancement projects. The minimum fee for the stamp is \$55, and the fee can be increased up to \$215, depending on the tonnage of salmon landings in the previous year. Expenditure of salmon stamp revenue is subject to the recommendations of a Commercial Salmon Troller Advisory Committee established by Ch 1336/82. The stamp fee established for 1984 is \$55.

The department expects to collect \$422,000 from salmon stamp fees in the budget year which, when added to current-year revenues and the carry-over balance from the prior year amounting to \$595,000, will provide a total of \$1,017,000 for salmon enhancement projects during 1984-85.

The budget requests an appropriation of \$561,000 from the Commercial Salmon Trollers License Stamp Account of the Fish and Game Preservation Fund in 1984-85 for salmon enhancement work. This amount is \$456,000 less than the estimated amount of stamp fee revenue that will be available in 1984-85.

In our judgment, the projected surplus of salmon stamp fee revenue could be used to replace an equal amount of the funds requested from the ELPF for salmon enhancement work. This would be appropriate since the use of the funds would benefit those who pay the salmon stamp fees. Moreover, shifting the funding source in this way would make \$414,000 in the ELPF available to the Legislature for other purposes. Accordingly, we recommend that \$414,000 of salmon stamp revenue be used in lieu of ELPF funds for salmon enhancement projects. This funding shift would still leave a surplus of \$42,000 in stamp fee revenues (a reserve of 10 percent) in case of a revenue shortfall during 1984-85.

Upper Newport Bay Enhancement Project *new rec. \$177,000 for preliminary plans as exp. ordinary*

We recommend a reduction of \$1,901,000 in Item 3600-001-001 to eliminate funds for dredging and erosion control work, wetland expansion, and public-use facilities in the Upper Newport Bay Ecological Reserve because (a) the department has not developed engineering plans, design specifications, and cost estimates for the project and (b) there is no basis for determining what the state's share of project costs should be. We further recommend that the department report during budget hearings on (a) the amount of funds needed to prepare design plans and cost estimates during 1984-85 and (b) the status of cost-sharing proposals under discussion with local governments.

The budget requests \$1,901,000 from the General Fund to cover the department's share of the first-year costs associated with a major project

DEPARTMENT OF FISH AND GAME—Continued

to dredge and remove silt from over 200 acres of land in Upper Newport Bay. The dredging operation is intended to reestablish tidal wetlands in an area previously used for salt ponds. In addition, the project will (1) improve flood and erosion control in watersheds draining into the bay and (2) include the development of parking lots, public viewing sites, and nature trails.

Background. Upper Newport Bay comprises 751 acres of state-owned property that is operated by the Department of Fish and Game as an ecological reserve. Prior to state acquisition, a dike was constructed at the upper end of the reserve to create salt ponds. As a result, the upper part of the reserve is not open to tidal action from the lower bay. In addition, the upper portion of the reserve is overgrown with riparian vegetation. This is due to the large amount of silt that has been deposited from San Diego Creek, partly caused by construction activity and poor erosion control on lands upstream.

1982-83 Sedimentation Control Project. Because of the siltation and erosion problems, the state provided \$3.45 million in 1983-84 for a \$4.7 million project to construct sedimentation basins within the stream channel of San Diego Creek and within the bay itself. The remaining portion of the cost was financed by the City of Newport Beach (which supervised the project), Orange County, and the Irvine Company. The state's portion of the cost was shared by the State Water Resources Control Board (\$2.75 million) and DFG (\$700,000). The \$700,000 provided by DFG was used to open 50 acres of wetlands to tidal action in the upper end of the bay.

1984-85 Proposal. The City of Newport Beach has proposed that DFG, the Irvine Company, Orange County, and the City of Irvine cooperatively fund an additional \$6.5 million of work. Under Phase I of this proposal, \$3,549,000 would be spent, beginning next summer, to excavate an additional 20 acres of the upper bay for restoring wetlands and providing holding capacity for additional silt. Of this amount, the state would provide a total of \$2,662,000, or 75 percent, and local agencies would provide \$887,000, or 25 percent. The state share would consist of the \$1,901,000 requested by DFG in the budget and an additional \$761,000 from some other source. The City Manager of Newport Beach indicates that these funds would come from mitigation revenues received by the state from the Los Angeles and Long Beach Harbor Districts. We are unable to confirm the existence or availability of these funds.

Phase II of the project will cost an additional \$3 million and commit DFG to provide another \$2.25 million (or 75 percent) in state funds in future years. After both phases are complete, Newport Beach proposes that the state pay 75 percent of the ongoing maintenance costs of the project.

Engineering Designs and Plan Specifications Not Available. The City of Newport Beach indicates that engineering specifications and plans for the wetland restoration and silt removal work will be done as part of the Phase I work. Consequently, there is no specific design information or cost estimate for much of the proposed work. The lack of specific design plans and cost data also precludes an evaluation of the overall costs and benefits of the project that is necessary in order to determine the share of the cost that should be borne by the state.

Recommended Action. Given the absence of more information on the project, the budget proposal is premature. Since we can assess neither the reasonableness of the cost estimates, nor the source of funds needed

to provide the state's share, or in fact what that share should be, we recommend that the \$1,901,000 requested in Item 3600-001-001 be deleted.

We further recommend that the department report to the fiscal subcommittees during budget hearings on the amount and appropriate source of state funds required to prepare plans and specific cost estimates for the entire project. If this work is completed in 1984-85, it will provide the Legislature with a basis for determining which project costs would go for local flood and erosion control and which would go for wildlife habitat improvements. This, in turn, would allow the Legislature to assess the overall desirability of the project and the proper cost-sharing arrangement between the state and local agencies.

The department should also report on the status of cost-sharing proposals currently being negotiated with the affected local agencies.

Bolsa Chica Wetland Expansion Premature

We recommend a reduction of \$113,000 requested to enlarge the existing Bolsa Chica ecological reserve because until the habitat conservation plan for the Bolsa Chica wetlands required by Ch 1203/83 is available, the project is premature.

The budget requests \$113,000 from the General Fund for the department to enlarge by 30 acres the restored wetlands portion of the existing 327-acre Bolsa Chica Ecological Reserve. This DFG reserve is located in Orange County near Huntington Beach.

The restored portion of the reserve consists of 200 acres which were restored to tidal influence through the construction of levees and a flood gate during the 1970s. That restoration work was financed with funds provided by the Wildlife Conservation Board (WCB) and the federal government. The area surrounding the reserve consists of degraded wetland habitat which has been used for oil production and still contains active oil fields. Signal Landmark Company owns most of this surrounding property. Part of the area also is used for disposal of drilling muds by the Aminoil company. The eastern section of the Bolsa Chica area is bordered by a single-family residential development.

Chapter 1203/83 Habitat Conservation Plan. Chapter 1203, Statutes of 1983, requires the Department of Fish and Game and the Coastal Conservancy jointly to prepare a habitat conservation plan (HCP) for the Bolsa Chica wetlands if requested to do so by either Orange County or any landowner with property within the wetlands. Signal Landmark has requested this plan and work on the HCP has been started by both agencies. The HCP is to be completed by July 20, 1984, and submitted to the California Coastal Commission for its approval and possible incorporation into the county's local coastal program (LCP). The HCP has the following objectives:

- To conserve fish and wildlife resources;
- To anticipate and resolve potential conflicts between fish and wildlife needs and private or public actions;
- To provide greater certainty regarding wildlife resource conservation and private and public activities potentially affecting these resources.

The HCP will consider how much of the Bolsa Chica wetland area can be restored for wildlife purposes once oil production ceases, and whether a combination of commercial, residential and recreational boating development should be permitted.

Signal Landmark Company Proposal. Signal Landmark Company

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has proposed a major development consisting of 5,700 homes, an 1,800-slip marina, visitor facilities, and a new ocean outlet on property surrounding the existing state ecological reserve.

DFG Project Premature. We believe the department's wetland restoration proposal is premature. Until the HCP is prepared and the uncertainty concerning the course of development that will be permitted in the Bolsa Chica area is resolved, the Legislature has no basis on which to determine the nature and extent of further restoration that should be undertaken in the area. For the state to proceed on the piecemeal basis while major land-use issues remain unresolved, as the department, in effect, proposes, may not result in an effective use of state funds. Consequently, we believe that state funding for the 30-acre expansion project should be deferred until at least the HCP being prepared by DFG and the Coastal Conservancy has been acted upon by the Coastal Commission. On this basis, we recommend a reduction of \$113,000 in Item 3600-001-140 to delete funds for this project.

Rancho Del Oro Wetlands Mitigation Project Benefits Commercial Development

We recommend a reduction of \$258,000 in Item 3600-001-140 to delete funds for a new 7-acre wetland in San Diego County because private or local funds, rather than state funds, should be used for this project since the primary purpose of the project is to replace an existing 9-acre wetland which would be destroyed by construction of a shopping center.

The budget includes \$258,000 from the Environmental License Plate Fund for the City of Oceanside to use in developing a 7-acre parcel near Mission San Luis Rey into a wetland area. This project would involve, among other things, (1) excavating the site to increase its water holding capacity, (2) constructing an outlet structure to allow for regulation of storm water flows into the existing drainage system, (3) landscaping with native wetland plants, and (4) constructing rest areas with benches, water fountains, and signs for public use. The city also has proposed to construct nature walks and a parking area.

Project to Mitigate Impact of Commercial Development. The City of Oceanside's project application indicates that proposed conversion of the 7-acre parcel to wetlands is designed to mitigate the effects of a shopping center which is being constructed adjacent to, and encompassing the site of, another existing 9-acre wetland. The first phase of this development, which is located along the south side of Mission Avenue, entails construction of an 87,000 square-foot shopping center. According to the city's planning department, construction of this shopping center will destroy the existing 9-acre wetland area.

The city is requiring the developer to build major drainage and landscaping facilities. In addition, the developer has agreed to spend \$250,000 to excavate and construct street and drainage improvements on the proposed 7-acre wetland site. This work is necessary, in part, because storm runoff from the shopping center area will drain into the 7-acre parcel and overflow onto a third existing wetland located north of Mission Avenue, on the grounds of Mission San Luis Rey. The city, however, has not required the builder to pay the full cost of replacing the 9-acre wetland habitat which will be lost due to the construction of the shopping center.

Recommendation. It appears that the primary purpose of this

budget request is to mitigate the adverse environmental impact of a commercial development project approved by the city. It would not increase wetlands beyond what now exists in the area, or achieve any other purpose of statewide importance. Therefore, funds for this work should be provided by the developer, who will directly benefit from the project, and/or the City of Oceanside, which is responsible for approving the project. Accordingly, we recommend that the \$258,000 requested for this project be deleted.

Buena Vista Flood Control Project

We recommend a reduction of \$105,000 requested for the Buena Vista Lagoon wier because the proposed project (1) is premature, and (2) is designed primarily to serve local flood-control purposes rather than wildlife enhancement.

The budget requests \$105,000 from the Environmental License Plate Fund for the City of Oceanside to use in enlarging an existing 50-foot wier at the ocean outlet of the Buena Vista Lagoon and constructing a flood-gate. The 204-acre lagoon, located between Oceanside and the City of Carlsbad, is owned and operated by DFG as an ecological reserve.

The city's proposal indicates that the existing wier is inadequate to accommodate storm flows typical to this area. This has resulted in damages to nearby private property. In addition, storm water runoff deposits large amounts of silt in the lagoon. Two years ago, DFG and the Coastal Conservancy jointly financed a major dredging project, at a cost of \$1 million, to remove silt that had accumulated because of major winter storms and poor erosion control practices upstream.

In an attempt to reduce this siltation problem, the Coastal Conservancy indicates that the cities of Carlsbad, Oceanside and Vista are participating in a joint watershed project. As part of this project, the Conservancy is awarding an engineering contract for design of wier improvements which will serve both flood control and wildlife enhancement purposes. As of January 1984, work on this engineering study had not started.

According to both DFG and the Coastal Conservancy, the \$105,000 wier project proposed by Oceanside has not been designed to include wildlife enhancement as a major purpose. Instead, both agencies indicate that the primary beneficiaries of the city's flood-gate and wier enlargement project will be the owners of adjacent private property which is now subject to flooding.

Because the city's Buena Vista wier and flood-gate project appears to be designed for flood-control purposes, and because no benefits to wildlife habitats from the project have been identified, the project should not be financed from funds intended for wildlife enhancement. Engineering plans that *would* address the potential wildlife enhancement aspects of this project will be prepared under the Coastal Conservancy contract. Accordingly, we recommend that funding for this project be deferred until 1985-86, when the results of the engineering study are available and the project can be assessed in terms of the enhancement it will provide for wildlife habitat.

Toxic Substances Hazard Disclosure

We recommend that the Legislature adopt supplemental report language directing the department to include in its fishing license handbook information on the 1983 Department of Health Services (DHS) advisory regarding consumption of large-mouth bass and carp from Lake Nacimien-

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to in San Luis Obispo County, plus any additional DHS advisories that are issued in the future concerning contaminated fish in state waters. We further recommend that the department report during budget hearings on (a) recent findings regarding contaminated fish in Clear Lake and Lake Berryessa and (b) whether this information has been transmitted to and evaluated by DHS.

In the *Supplemental Report to the 1982 Budget Act* the Legislature directed the Department of Fish and Game to warn anglers about mercury contamination of striped bass in the Sacramento-San Joaquin Delta. The Department of Health Services (DHS) issued an advisory concerning this contamination in 1972 and the supplemental language required DFG to include this advisory, and any similar DHS advisories, in its fishing license handbook. The Delta advisory warns adults generally to limit consumption of fish from these waters to one meal per week, and warns pregnant women and children not to eat any of these fish. In compliance with this directive, the DFG has included information on the striped-bass advisory in its 1983 and 1984 angling handbooks.

New DHS Advisory Issued. On June 6, 1983, the Department of Health Services issued a new advisory regarding consumption of large-mouth bass and carp from Lake Nacimiento in San Luis Obispo County as a result of findings by DFG's Toxic Substances Monitoring Program (TSM) in 1982, that fish from Lake Nacimiento consistently exceeded U.S. Food and Drug Administration (FDA) tolerances for human consumption of mercury. This new DHS advisory is similar to the 1972 advisory pertaining to striped bass in the Delta. The Department of Fish and Game, however, has not included the new advisory in its 1984 angling handbook.

1983 Monitoring Studies. In conjunction with the regular TSM sampling program, DFG, in consultation with the Department of Health Services, intensified its sampling efforts last year at Clear Lake in Lake County and at Lake Berryessa in Napa County to determine whether fish in those lakes also are contaminated with mercury. The department's 1983 studies consistently found mercury concentrations which approached or exceeded the FDA standard in both catfish and large-mouth bass from Clear Lake. In addition, DFG reports that it found mercury concentrations exceeding the FDA standard in large-mouth and small-mouth bass, channel catfish, rainbow and king salmon in Lake Berryessa. The department also indicates that the death of 500 grebes in 1976 and a smaller incident of bird mortality in 1982 have been attributed to mercury toxicosis at this lake.

Recommendation. In light of the recent DHS advisory on fish in Lake Nacimiento, we recommend that the Legislature adopt the following supplemental report language:

"The Department of Fish and Game shall include in its fishing license handbook information from the Department of Health Services' advisory concerning mercury contamination of fish caught from Lake Nacimiento in San Luis Obispo County, and any similar advisories that may be issued in the future concerning contaminated fish in the waters of this state."

In addition, given recent DFG findings of mercury contamination in fish from Clear Lake and Lake Berryessa, the department should report during budget hearings on (1) whether this information has been transmitted to DHS and (2) whether any further advisories are pending to

warn anglers who may consume fish from these waters.

New and Revised License Fees

Legislation enacted in 1983 revises the fee structure for fishing licenses and establishes a new stamp requirement to support ocean resources enhancement in Southern California.

1. *Revision in License Fees.* Chapter 1117, Statutes of 1983, changed the basic fees charged for various sport fishing and other licenses, effective January 1, 1984.

The major change made by Ch 1117/83 is the elimination of the inland waters and trout/salmon stamps which previously were required, in addition to the regular sport license. This change was made in conjunction with an increase of \$6.25 in the annual resident license fee. As a consequence, the cost for a typical resident fishing license in 1984 is 50 cents less than the cost of a typical license and stamps in 1983.

Chapter 1117 also authorized a \$2.00 fishing license for low-income persons over 65 years of age and disabled veterans. In addition it reinstated free licenses for the blind and disabled, wards of the state, and low-income Indians. Based on the number of free licenses actually issued during 1984, the department next year will be entitled under existing law to be reimbursed from the General Fund for an amount equal to the full value of each free license issued.

As a result of the various changes made by Ch 1117/83, the department anticipates an increase of \$716,000 in revenue to the Fish and Game Preservation Fund during 1984-85.

Ocean Enhancement Program. Chapter 982, Statutes of 1983, established a California Ocean Resources Enhancement and Hatchery Program to conduct research on artificial propagation and the rearing and stocking of marine species that are important in southern California. This program is to be financed from a new \$1.00 fishing license stamp required for ocean fishing activities south of Point Arguello.

Proceeds from the new stamp are to be deposited into the Ocean Fishing Research and Hatchery Account in the Fish and Game Preservation Fund. Although the budget does not indicate any plans for the expenditure of these funds during 1984-85, the department expects to receive \$200,000 during the budget year from stamp sales.

Tulloch Reservoir Property—No Sale

The Supplemental Report to the 1983 Budget Act directed the Department of Fish and Game to:

- Seek invalidation of the state's operating agreement with Tuolumne County covering management of 95 acres of DFG shoreline property and improvements at Tulloch Reservoir; and
- Declare the property surplus and sell it.

This property originally was purchased in 1958 and 1959 by the Wildlife Conservation Board (WCB), at a cost of about \$125,000 to provide public access to the reservoir for fishing and other recreational purposes. The reservoir is located on the Stanislaus River downstream from New Melones Dam, and is operated jointly by the Oakdale and South San Joaquin Irrigation Districts.

County Operating Lease. The state's property at Tulloch Reservoir is managed by Tuolumne County under a 40-year lease that runs through the year 2000. Under this lease, the county retains all revenues from public use fees and concession operations, provided that the money is used solely

DEPARTMENT OF FISH AND GAME—Continued

for the operation and improvement of the property.

Concession Lease History. Subsequent to entering into its 40-year lease agreement with the WCB, Tuolumne County awarded a 30-year concessions contract to a private individual. Under the terms of this contract, the concessionaire pays the county a minimum of \$1,500 per year, plus 1 percent of gross sales under \$15,000 and 2 percent of gross sales over \$15,000. The concessionaire also retains 90 percent of all day-use and other fees charged to the public. Although the terms of the concession agreement were to have been renegotiated after three years to adjust the rental rate to fair market value, Tuolumne County has never required that this be done.

Over the intervening 22 years the concessionaire has constructed extensive facilities and permanent improvements on the state's property, including a small restaurant and store, plus 75 trailer spaces. As a consequence, the property is now operated as a moderate-size commercial recreation resort.

Legislative Action. Last year, the Legislature determined that the Tulloch Reservoir property, because of its commercial nature, should be sold. As a consequence, supplemental language was adopted directing the department to cancel its county operating agreement and dispose of the property.

DFG Response. At the time this analysis was prepared, the Director of Fish and Game indicated that the department could not carry out the Legislature's intent for two reasons. First, DFG has determined that the 40-year lease agreement which the state made with Tuolumne County in 1962 has no cancellation clause. The Attorney General has advised DFG that the absence of this provision makes it extremely difficult to terminate the lease, unless one of its provisions has been violated.

Second, because litigation has been threatened if the state attempts to cancel the lease or sell of the property, the department believes it would not be in the state's best interests to attempt the sale. DFG proposes, instead, to retain the property and let the existing lease agreement and concession contracts run until they expire.

DEPARTMENT OF FISH AND GAME—CAPITAL OUTLAY

Item 3600-301 from the Fish and Game Preservation Fund, California Environmental License Plate Fund, and the General Fund, Special Account for Capital Outlay

Budget p. R 97

Requested 1984-85	\$2,993,000
Recommended approval	2,650,000
Recommended reduction	343,000

Analysis
page**SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS**

1. *Mad River Hatchery Fish Screen. Reduce Item 3600-301-140(1) by \$300,000.* Recommend deletion because of uncertainty regarding project's feasibility, inadequacy of cost estimates, and lack of justification for the project. 648
2. *Minor Projects. Reduce Item 3600-301-200(1) by \$43,000.* 649
Recommend reduction to account for reimbursement to be provided by federal government. Further recommend that department assure Legislature that rents on residences scheduled for minor capital outlay improvements will be adjusted in accordance with existing law.

ANALYSIS AND RECOMMENDATIONS

The budget proposes \$2,993,000 from various sources for two major capital outlay projects, 15 minor projects, and program planning, for the Department of Fish and Game. Specifically, \$2,633,000 is requested from the Fish and Game Preservation Fund (Item 3600-301-200), \$300,000 is requested from the California Environmental License Plate Fund (Item 3600-301-140), and \$60,000 is requested from the General Fund, Special Account for Capital Outlay (Item 3600-301-036) to support these projects and activities. Table 1 summarizes the 1984-85 capital outlay program, by project and funding source, along with our recommendations.

Table 1
Department of Fish and Game
1984-85 Capital Outlay Program
Item 3600-301
(in thousands)

<i>Fund/Project</i>	<i>Phase^a</i>	<i>Budget Bill Amount</i>	<i>Analyst's Recom- mendation</i>	<i>Estimated^b Future Cost</i>
General Fund, Special Account for Capital Outlay:				
Minor Projects	pwc	60	60	—
California Environmental License Plate Fund:				
Mad River Hatchery Fish Screen	c	300	—	—
Fish and Game Preservation Fund:				
Hot Creek Hatchery Modernization (Phase 1)	c	\$2,150	\$2,150	\$900
Project Planning	p	40	40	—
Minor Projects	pwc	443	400	—
Subtotal.....		<u>\$2,633</u>	<u>\$2,590</u>	<u>\$900</u>
Total		\$2,993	\$2,650	\$900

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

^b Department's estimate.

Minor Projects—Bolsa Chica and Upper Newport Bay

We recommend approval of Item 3600-301-036(1), minor projects.

The budget contains two separate items for minor capital outlay projects. The first, Item 3600-301-036(1), provides \$60,000 for two projects at the Bolsa Chica Ecological Reserve and three projects at the Upper Newport Bay Ecological Reserve. All five projects involve upgrading public facilities, including construction of viewing sites and nature walks and renovation of parking areas and public restrooms. The scope of work and requested amounts are reasonable and we recommend approval.

DEPARTMENT OF FISH AND GAME—CAPITAL OUTLAY—Continued**Mad River Hatchery Fish Screen**

We recommend deletion of Item 3600-301-140(1), construction, Mad River Hatchery Fish Screen, because of questions regarding the project's feasibility, the inadequacy of cost estimates, and the lack of justification for the project.

The budget proposes \$300,000 under Item 3600-301-140(1) for construction of a fish screen at the Mad River Hatchery. The department indicates that the screen is needed to divert salmon into the hatchery. A temporary screen, installed two years ago, has resulted in capture of sufficient amounts of salmon to meet the department's production goals. According to the department, construction of a permanent screen would assure the capture of sufficient fish to meet goals (5,000,000 salmon fingerlings per year) and improve commercial and sport fishing in the north coast.

The department has provided minimal information and justification for this project. There is no indication that a permanent fish screen would be more satisfactory than the present arrangement or that such a facility could withstand the battering action of the flood season. No information has been provided on how this facility would be constructed, the type of material that would be used, or how it would be operated. In addition, OSA has not prepared cost estimates for the project. The department's estimate simply consists of a request for \$300,000, with no breakdown of the costs or indication of how the amount was calculated.

In sum, this proposal contains too many uncertainties. Given the lack of justification and detail, coupled with the questions regarding the project's feasibility, we recommend that the proposed funds be deleted.

Hot Creek Hatchery Modernization—Phase I

We recommend approval of Item 3600-301-200(3), Hot Creek Hatchery Modernization.

Item 3600-301-200(3) requests \$2,150,000 for the first of two phases of construction for the Hot Creek Hatchery. The department indicates that modernization of the facility is needed because erosion has destroyed the raceway action of the present dirt ponds. Replacement with concrete raceways will allow a more efficient operation and increase fish production.

The first phase of the project will consist of replacement of the dirt ponds with 40 concrete raceway ponds, new supply pipelines, pumps, standby engines, a recirculation system, pond aerators, and four concrete nursery ponds. The department indicates that the second phase of the project will consist of replacement of two hatchery buildings, at an anticipated cost of \$900,000.

Earlier in the planning process, the two phases of the project were combined, since bidding the two projects under one contract would have resulted in some savings. The department now indicates, however, that there are insufficient balances in the Fish and Game Preservation Fund for construction of both phases in the budget year. The Department of General Services, Office of State Architect (OSA), expects to complete working drawings for both phases of the project by June.

The project is consistent with prior legislative intent and cost estimates have been provided by the OSA. The budgeted amounts are adequate for completion of the first phase. Consequently, we recommend approval.

Project Planning

We recommend approval of Item 3600-301-200(2), project planning.

Item 3600-301-200(2) requests \$40,000 from the Fish and Game Preservation Fund for project planning. These funds would be allocated to OSA to cover the cost of preparing budget packages for 1985-86 capital outlay proposals. Funds for this purpose traditionally have been provided each year for allocation to projects approved by the Department of Finance. The requested amount is reasonable and consistent with previous legislative appropriations for planning. Consequently, we recommend approval of this request.

Minor Projects—Fish and Game Fund

We recommend that Item 3600-301-200(1), minor projects, be reduced by \$43,000 to account for federal reimbursement. We further recommend that the Department of Fish and Game assure the Legislature that rents for all residences proposed for improvement will be adjusted in accordance with the requirements of existing law.

This proposal for minor capital outlay (less than \$200,000 per project) provides \$443,000 under Item 3600-301-200(1) for ten projects. These state-wide projects are for renovation, repair, and development of facilities for enhancement of fish production, maintenance and vehicle storage, energy conservation, and improvements to staff residences.

Our analysis indicates that three of the proposed projects (\$57,000), are eligible for federal reimbursement under the Pittman-Robertson Act (PL 75-415), covering 75 percent of project costs. The federal reimbursement, however, has not been taken into account in the budget. Consequently, we recommend that the item be reduced by \$43,000 (75 percent of \$57,000) in recognition of the federal support available for these three projects.

This item contains \$90,000 for improvements to residences at three hatcheries and wildlife areas, all of which involve constructing additions to state-owned residences. Department employees are required to live in the residences and pay rent to the state. Prior to budget hearings, the department should provide the Legislature with assurances that the rents on these residences will be adjusted to reflect market values, taking into account these improvements.

Supplemental Report Language

For purposes of project definition and control, we recommend that supplemental report language be adopted at the time of budget hearings which describes the scope of each of the capital outlay projects approved under this item.

Resources Agency
WILDLIFE CONSERVATION BOARD

Item 3640 from the Wildlife
Restoration Fund

Budget p. R 99

Requested 1984-85	\$485,000
Estimated 1983-84.....	514,000
Actual 1982-83	303,000
Requested decrease (excluding amount for salary increases) \$29,000 (-5.6 percent)	
Total recommended reduction	None

GENERAL PROGRAM STATEMENT

The Wildlife Conservation Board (WCB) was created in 1947. It acquires property to protect and preserve wildlife and provide fishing, hunting, and recreational access facilities.

The board is composed of the Director of Fish and Game, the Chairman of the Fish and Game Commission, and the Director of Finance. In addition, three members of the Senate and three members of the Assembly serve in an advisory capacity to the board.

The board's activities are financed through appropriations from the Wildlife Restoration Fund, which annually receives \$750,000 of horseracing license revenue. The Wildlife Restoration Fund also receives reimbursements for those projects that are eligible for grants from the federal Land and Water Conservation Fund.

The board has nine staff positions authorized in the current year.

OVERVIEW OF THE BUDGET REQUEST

The budget proposes an appropriation of \$485,000 from the Wildlife Restoration Fund to support the Wildlife Conservation Board (WCB) during 1984-85. This is \$29,000, or about 6 percent, less than estimated current-year expenditures. Budget-year expenditures, however, will increase by the amount of any salary or staff benefit increases approved for 1984-85.

ANALYSIS AND RECOMMENDATIONS

We recommend approval.

The decrease in expenditures is due to a \$46,000 reduction in pro rata charges billed to the Wildlife Restoration Fund for central administrative services and indirect overhead costs. Without this adjustment, proposed budget-year expenditures would increase by \$17,000, or 4 percent, due to salary increases and inflation adjustments.

Our analysis indicates that the request is reasonable, and we recommend that it be approved as budgeted.

WILDLIFE CONSERVATION BOARD—CAPITAL OUTLAY

Item 3640-301 from the Wildlife
Restoration Fund and Califor-
nia Environmental License
Plate Fund

Budget p. R 101

Requested 1984-85	\$6,129,000
Recommend approval	20,000
Recommend reduction	715,000
Recommendation pending	5,394,000

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

*Analysis
page*

1. Ecological Reserves—Acquisition. Withhold recommendation on Item 3640-301-140, pending receipt of list showing proposed acquisitions and providing adequate cost information. Recommend that, if included in the Budget Bill, the Item 3640-301-140 be amended to include a schedule of approved acquisition projects. 651
2. Wildlife Habitat—Acquisition. Withhold recommendation on the request for funding, pending receipt of cost estimates. Recommend that, if included in the Budget Bill, Item 3640-301-447 (3) be amended to include a schedule of approved acquisition projects. 652
3. Pier Development. Withhold recommendation on Item 3640-301-447 (4) (a) and (b), pending receipt of assurances from the board that local agencies be able to fund the balance of project costs. 653
4. *Minor Projects. Reduce Item 3640-301-447 (1) by \$715,000.* Recommend deletion because adequate information on costs is not available. 654

ANALYSIS AND RECOMMENDATIONS

The budget proposes \$6,129,000 for various capital outlay projects to be undertaken by the Wildlife Conservation Board. Specifically, Item 3640-301-140 (California Environmental License Plate Fund) contains \$3,000,000 for unspecified land acquisition and development projects to provide ecological reserves, and Item 3640-301-447 (Wildlife Restoration Fund) contains \$3,129,000 for two pier development projects, unspecified land acquisition projects, 11 minor capital outlay projects, and project planning. Table 1 summarizes the department's request and our recommendations on each project.

Both items contain budget control language specifying that any funds appropriated will not be subject to State Public Works Board review because of provisions contained in the Wildlife Conservation Law of 1947.

Ecological Reserves—Acquisition

We withhold recommendation on Item 3640-301-140 (1), \$3,000,000 for acquisition of wildlife habitat, pending receipt of information on which parcels the board plans to acquire and more detailed cost information. We recommend that the Legislature include a schedule of approved projects in the Budget Bill.

WILDLIFE CONSERVATION BOARD—CAPITAL OUTLAY—Continued

Table 1
Wildlife Conservation Board
1984-85 Capital Outlay Program
(in thousands)

<i>Fund/Project</i>	<i>Phase^a</i>	<i>Budget Bill Amount</i>	<i>Analyst's Recommendation</i>
California Environmental License Plate Fund:			
Ecological Reserves	apwc	\$3,000	pending
Wildlife Restoration Fund:			
Wildlife Habitat—acquisition	apwc	1,394	pending
Avila Pier	c	500	pending
Pier 7	c	500	pending
Project Planning	p	20	20
Minor Projects	pwc	715	—
Totals		\$6,129	pending

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

Item 3640-301-140(1) requests \$3,000,000 from the California Environmental License Plate Fund for acquisition of wildlife habitat as ecological reserves. The board indicates that funds would be used to acquire wetland and riparian habitat currently identified as high priority acquisitions because of threats to shorebirds and other water-associated wildlife. According to the board, acquisitions would also include the habitat for those fish and wildlife species which are designated as rare, endangered, or threatened to ensure their continued survival.

The board has established a list of 32 proposed acquisitions for ecological reserves. The estimated cost for these acquisitions is \$10,717,000. The acquisition costs, however, are not based on appraisal of the property.

The board has indicated that it seeks to maintain flexibility in its acquisition program, and plans to transfer funds from one acquisition to another as needed. Consequently, legislative approval of the requested amount would not assure the acquisition of any particular parcel.

We are unable to discern which parcels on the list the board would purchase with the proposed \$3,000,000. Consequently, we recommend that the board provide the Legislature with a priority list of the projects it seeks to purchase as ecological reserves, along with adequate cost estimates for each. We further recommend that the Legislature include a schedule of the approved projects under Item 3640-301-140(1) in the Budget Bill.

Wildlife Habitat—Acquisition

We withhold recommendation on Item 3640-301-447(3), pending receipt of adequate cost information. We recommend that this item be amended to include a schedule of the proposed land acquisition projects.

The budget proposes \$1,394,000 from the Wildlife Restoration Fund under Item 3640-301-447(3) for land acquisition. The proposed acquisitions would expand existing wildlife areas, preserve riparian habitats, protect upland watershed, and provide habitat water rights. The board has identified the following nine parcels for possible acquisition:

- Indian Valley Reservoir, Lake County (1,500 acres), for public fishing access and protection of upland watershed and riparian habitat;
- Trinity River-Junction City area, Trinity County (52 acres), for public fishing access and protection of band-tailed pigeon and riparian habitat;
- Dagguere Point, Yuba County (30 acres), for public fishing access and protection of riparian habitat;
- Mendota Wildlife area, Fresno County (2,300 acres), for water rights, water-fowl hunting area, and protection of the blunt-nosed leopard lizard, kangaroo rat, and San Joaquin kit fox;
- Camp Cady, San Bernardino County (50 acres), for protection of riparian habitat and bighorn sheep;
- Abbot Lake, Sutter County (146 acres), for protection of riparian vegetation and yellow-billed cuckoo;
- Paynes Creek, Tehama County (800 acres), for water rights and protection of deer wilderness area;
- Hooten Ranch, Tehama County (806 acres), for water rights and protection of deer winter range;
- Antelope Valley-Sierra Brooks, Sierra County (619 acres), for protection of deer winter range and protection of the Loyaltan-Truckee deer herd.

The board has not specified an amount for any of the acquisitions listed above so that it will have flexibility in purchasing land.

We recommend that the budget bill be amended to include a schedule of these nine parcels. Under the current proposal, the Legislature is being asked to appropriate acquisition funds for an unspecified number of parcels at an unspecified cost for each parcel. We believe that the board should inform the Legislature of how the appropriated funds will be used. By adopting a schedule of proposed acquisitions, the Legislature would be assured that funds would be spent *only* for those projects it approves.

Pier Development

We withhold recommendation on Item 3640-301-447(4), (a) and (b), pier development, pending receipt of assurances from the Wildlife Conservation Board that local agencies are able to match the state's share of the total project costs.

Item 3640-301-447(4) requests \$1,000,000 for two pier development projects (\$500,000 each pier).

The first project is for renovation of the Avila Beach fishing pier in San Luis Obispo County. The project involves storm damage repair to make the pier suitable for public fishing and associated recreational activities. The board indicates that the pier presently is closed because of the storm damage. The Wildlife Conservation Board proposes to provide \$500,000 of the estimated \$1,310,000 total cost of the project. The balance of the funds needed would have to come from the Port San Luis Harbor District or other sources. According to the board, the Federal Emergency Management Agency (FEMA) has indicated that it will also share in the cost of a portion of the required matching costs.

The second pier project is for conversion of Pier 7 in San Francisco from a commercial ship loading pier to a public fishing pier. The board staff indicates that the existing 100,000 square foot pier would be reduced in width to provide optimum fishing opportunities. The total cost of the project is estimated to be \$2,585,000. The board proposes to fund \$500,000

WILDLIFE CONSERVATION BOARD—CAPITAL OUTLAY—Continued

of the cost, with the City of San Francisco responsible for the remaining \$2,085,000.

The Budget Bill contains control language under this item that allows savings from completion of one pier project to be transferred to the other pier project if additional funds are needed.

Assurances of Availability of Local Funds Needed. Wildlife Conservation Board policy limits its participation in a local project to not more than \$500,000. The local agency is responsible for providing the remainder of project costs. Other state funds cannot be used for this match. Prior to approval of this item, the board should provide the Legislature with evidence that the local agencies involved (Port San Luis Harbor District and City of San Francisco) will make funds available to cover the balance of project costs. If matching funds are unavailable, the state's share would not be needed and the item should be deleted from the budget.

Project Planning

We recommend approval of Item 3640-301-447(2), project planning.

The budget proposes \$20,000 under Item 3640-301-447(2) for project planning, preliminary land acquisition costs, and engineering studies. Our analysis indicates that the proposed amount is justified, and we recommend approval of the request.

Minor Projects

We recommend deletion of Item 3640-301-447(1), minor projects, because adequate justification for projects has not been provided, for a savings of \$715,000.

The budget proposed \$715,000 for 11 minor capital outlay projects under Item 3640-301-447(1). Five of the proposed projects involve repair or renovation for pier and fishing projects. Four projects are for road and public facilities construction and renovation. Two projects are for educational facilities to display wildlife items.

The board indicates that local agencies will be responsible for most of the minor projects. The board however has provided no detail on either project costs or how the cost estimates were determined. In addition, there is no information regarding the state share or local share of project costs. Without such information we are unable to evaluate either the proposed projects or the associated cost. Consequently, we are unable to recommend approval of this proposal.

Supplemental Report Language

For purposes of project definition and control, we recommend that supplemental report language be adopted at the time of budget hearings which describes the scope of each of the capital outlay projects approved under this item.

Resources Agency
DEPARTMENT OF BOATING AND WATERWAYS

Item 3680 from the General
Fund and the Harbors and
Watercraft Revolving Fund

Budget p. R 102

Requested 1984-85	\$24,758,000
Estimated 1983-84	26,014,000
Actual 1982-83	21,840,000
Requested decrease (excluding amount for salary increases) \$1,256,000 (-4.8 percent)	
Total recommended reduction	6,030,000

1984-85 FUNDING BY ITEM AND SOURCE

Item	Description	Fund	Amount
3680-001-001—Support		General	\$226,000
3680-001-516—Support		Harbors and Watercraft Re- volving	3,164,000
3680-001-890—Support		Federal Trust	(225,000)
3680-101-001—Local Assistance, Beach Erosion Control		General	2,885,000
3680-101-516—Local Assistance, Boating Facilities and Law Enforcement		Harbors and Watercraft Re- volving	18,483,000
3680-101-890—Local Assistance, Boating Safety and Law Enforcement		Federal Trust	(227,000)
Total			\$24,758,000

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

*Analysis
page*

1. Excess Fund Balances. Recommend adoption of supplemental report language directing the department to prepare and submit to the fiscal committees and Joint Legislative Budget committee a report on (a) the potential for reducing boating fees and (b) alternatives for using surplus balances in the Harbors and Watercraft Revolving Fund. 657
2. *Antioch Marina. Reduce Item 3680-101-516 by \$1,800,000.* Recommend reduced funding for this project because (a) the amount proposed is well in excess of what is planned for expenditure in 1984-85 and (b) permitting and design work needs to be completed before the Legislature will have the information it needs to consider the project for construction financing by the state. 660
3. Santa Barbara Harbor and Oceanside Harbor Projects. Recommend the adoption of Budget Bill language making the encumbrance of funds for the Santa Barbara Harbor project and the Oceanside Harbor project contingent upon project approval by the California Coastal Commission and the U.S. Army Corps of Engineers. 661
4. Martinez Marina. Recommend adoption of Budget Bill language making the encumbrance of funds for the Marti- 661

DEPARTMENT OF BOATING AND WATERWAYS—Continued

- nez Marina project contingent upon project approval by the appropriate state and federal agencies.
5. *South Beach Marina. Reduce Item 3680-101-516 by \$1,500,000.* Recommend deletion of funding for this project because adequate funds to complete necessary permitting and design work are available and request for construction money is premature. 662
 6. *Vallejo Marina. Reduce Item 3680-101-516 by \$600,000.* Recommend deletion of funding for a loan to the Vallejo Marina because the request is premature. 663
 7. *Evaluation of Marina Loan Program.* Recommend adoption of supplemental report language directing the department to report to the fiscal subcommittees and the Joint Legislative Budget Committee on the continued need for the marina loan program. 663
 8. *Interest Rate for Marina Loans.* Recommend adoption of Budget Bill language requiring the department to set the interest rate for small craft harbor loans at a level equal to the average annual yield of the Surplus Money Investment Fund. 666
 9. *Grants for Boating Law Enforcement. Reduce Item 3680-101-516 by \$227,000.* Recommend (1) reduction to substitute federal funds for state funds and (2) adoption of Budget Bill language to restrict the use of federal funds in Item 3680-101-890 in a manner that is consistent with state law. 666
 10. *Pacifica Seawall Project. Reduce Item 3680-101-001 by \$1,530,000.* Recommend deletion of funding for the Pacifica Seawall Project because the project permits and agreements have not been received and adequate information to justify the project has not been provided. 668

GENERAL PROGRAM STATEMENT

The Department of Boating and Waterways (1) constructs boating facilities for the state park system and State Water Project reservoirs, (2) makes loans to public and private marina operators to finance the development of small craft harbors and marinas, (3) makes grants to local agencies for boat launching facilities, boating safety, and law enforcement, (4) conducts a boating education program, (5) licenses yacht and ship brokers and for-hire vessel operators, (6) coordinates the work of other state and local agencies and the U.S. Army Corps of Engineers in implementing the state's beach erosion control program, and (7) serves as the lead state agency to cooperate with the U.S. Army Corps of Engineers and other agencies in controlling water hyacinth in the Sacramento-San Joaquin Delta and the Suisun Marsh.

The department has 62.6 positions authorized in the current year.

OVERVIEW OF THE BUDGET REQUEST

The budget proposes appropriations of \$24,758,000 from the General Fund and the Harbors and Watercraft Revolving Fund (HWRF) for the Department of Boating and Waterways support and local assistance in 1984-85. This is a decrease of \$1,256,000, or 4.8 percent, below estimated current-year expenditures from state funds of \$26,014,000. The depart-

ment's expenditures, however, will exceed the budgeted level by the amount of any salary or staff benefit increases approved for the budget year.

The proposed decrease in expenditures by the department is primarily due to a decrease in expenditures for loans to public marinas and grants to local agencies for boat launching facilities.

Total expenditures, including expenditures from federal funds, are proposed to decrease by \$1,374,000 (5.1 percent), from \$26,584,000 to \$25,210,000. Table 1 summarizes the proposed 1984-85 budget changes, by funding source.

Table 1
Department of Boating and Waterways
Proposed Budget Changes
1984-85
(in thousands)

	General Fund	Harbors and Watercraft Revolving Fund	Energy and Resources Fund	Federal Funds	Totals
1983-84 Base Budget (Revised)	\$215	\$23,540	\$2,259	\$570	\$26,584
A. Changes in loan and grant programs					
1. Loans to public agencies for marina development	—	-1,947	—	—	-1,947
2. Grants to local governments					
(a) Boat launching facilities	—	-144	—	—	-144
(b) Boating safety and law enforcement	—	45	—	-58	-13
(c) Beach erosion control	2,885	—	-2,259	—	626
B. Miscellaneous adjustments	11	153	—	-60	104
1984-85 Proposed Budget	\$3,111	\$21,647	—	\$452	\$25,210
Change from 1983-84 Base Budget (Revised)	\$2,896	-\$1,893	-\$2,259	-\$118	-\$1,374

ANALYSIS AND RECOMMENDATIONS

Excessive Balances in the Harbors and Watercraft Revolving Fund

We recommend that the Legislature adopt supplemental report language directing the department to report to the fiscal subcommittees and the Joint Legislative Budget Committee by October 1, 1984, on (1) the potential for reducing boating fees and (2) alternatives for using surplus balances in the Harbors and Watercraft Revolving Fund.

The budget estimates that the Harbors and Watercraft Revolving Fund (HWRF) will have a surplus of \$2,112,000 at the end of 1983-84 and \$165,000 at the end of 1984-85 (assuming the level of expenditures proposed in the budget). Based on the department's track record in projecting the surplus in the fund, we expect that the actual ending balances for 1983-84 and 1984-85 will exceed these amounts by a substantial margin.

Past experience has shown that the department consistently underestimates the year-end surplus in the HWRF. (The surplus consists of funds that have not been committed to any project and are available for appropriation.) For example, the budget for 1982-83 projected a June 30, 1983, balance of \$1,009,000. The estimated surplus increased to \$4,936,000 one year later, and the actual surplus on that date was \$6,348,000.

DEPARTMENT OF BOATING AND WATERWAYS—Continued

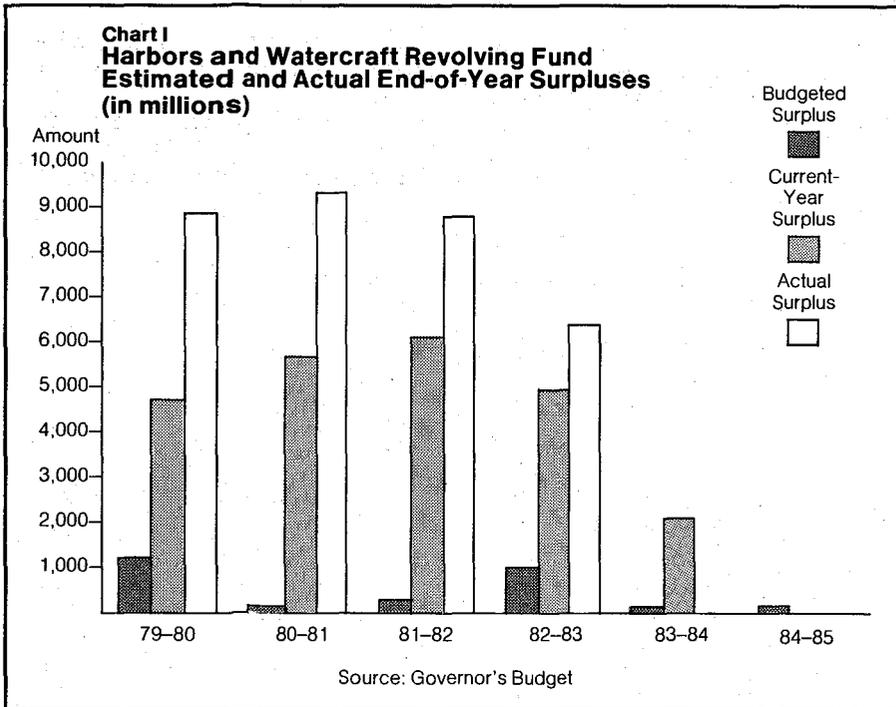


Chart I shows the disparity between the estimated and actual surplus in the HWRF since 1979-80. Much of the disparity results from the department's (1) overly conservative method of estimating receipts and transfers to the fund and (2) failure to make allowances for the reversion of previous appropriations—particularly those providing for loans to marina projects.

Marina Projects Lag Behind the Department's Timetable. Our analysis indicates that the department often has requested more money for loans to marina projects than was warranted for that fiscal year. This reflects the department's tendency to rely on overly optimistic schedules in budgeting for such projects. These schedules typically make no allowance for delays due to various environmental or technical problems. These problems, however, frequently arise.

Requests for loan funds in excess of what the department can reasonably expect to spend tend to result in large reversions to the HWRF several years after the appropriations are made.

The department's proposed budget for 1984-85 includes at least one request for marina loan funds that is excessive. The budget requests \$2,000,000 for a loan to construct a marina in Antioch, even though the estimated cost of the project is substantially less than this amount. (Later in this *Analysis*, we recommend that the appropriation for this project be

reduced to the amount needed.)

Large Deposits in Surplus Money Investment Fund. The surplus from the HWRF, together with funds encumbered under contract to local agencies but not yet expended, is deposited in the Surplus Money Investment Fund. This fund serves as an investment account for idle monies in various state funds.

On November 30, 1983, the HWRF had \$31,195,000 on deposit in the Surplus Money Investment Fund. The budget estimates that the HWRF will earn interest of \$3,000,000 from the investment of idle funds during both 1983-84 and 1984-85. Assuming an interest rate of 10 percent, this implies that the HWRF's deposit in the Surplus Money Investment Fund will average \$30,000,000 during both the current and budget year. This amount is considerably greater than the total estimated expenditures from the HWRF in either the current year (\$26,952,000) or the budget year (\$25,217,000). This suggests that the amount of surplus money in the HWRF is excessive.

Report Needed. The existence of a large surplus of boating monies in the HWRF clearly indicates that the amount of money available to the fund exceeds the department's identified needs. Accordingly, the Legislature may wish to consider either reducing boating fees or establishing new programs for serving the boating public. To facilitate legislative consideration of these alternatives, we recommend that the Legislature adopt the following supplemental report language calling for a report on alternatives for reducing the surplus:

"The department shall submit a report by October 1, 1984, to the fiscal committees and the Joint Legislative Budget Committee on (1) the potential for reducing boating fees and (2) alternative means for using surplus balances in the Harbors and Watercraft Revolving Fund."

Table 2
Launching Facility Grants
1984-85

<i>Project</i>	<i>Sponsor</i>	<i>Amount</i>
1. Boyd Pump	Sutter County	\$115,000
2. Clark Springs	U.S. Forest Service	342,000
3. Crescent City Harbor	Crescent City	100,000
4. Dana Basin	City of San Diego	320,000
5. Fairview	U.S. Forest Service	150,000
6. Floating Restrooms	Statewide	150,000
7. Georgianna Slough	Sacramento County	25,000
8. Isleton	City of Isleton	225,000
9. Lopez Lake	San Luis Obispo County	165,000
10. Mallard Cove (Lopez Lake)	San Luis Obispo County	297,000
11. Modesto Reservoir	Stanislaus County	47,000
12. Lake Nacimiento	Monterey County	242,000
13. Launching Facility Repair	Statewide	100,000
14. Port of Redwood City	Port of Redwood City	500,000
15. Reedley	City of Reedley	300,000
16. Lake Sabrina	U.S. Forest Service	100,000
17. South Lake	U.S. Forest Service	80,000
18. Stumpy Meadows	U.S. Forest Service	224,000
19. Ventura Harbor	Ventura Port District	265,000
20. Woodward Reservoir	Stanislaus County	186,000
Total		\$3,933,000

DEPARTMENT OF BOATING AND WATERWAYS—Continued

Grants for Launching Facilities

We recommend approval.

The Budget proposes \$3,933,000 from the HWRF for subventions to local governments for construction of boat launching ramps, restrooms, parking areas, landscaping, and other ancillary facilities. All of the necessary environmental documentation for the projects has been completed. The specific projects to be funded are shown in Table 2. Our review indicates that the projects and the amounts requested for them are justified.

Loans for Public Marinas

The budget requests \$11,350,000 from the HWRF (Item 3680-101-516) for small craft harbor loans to local governments. This is a decrease of \$1,947,000, or nearly 15 percent, from estimated current-year expenditures of \$13,297,000.

As shown in Table 3, the requested amount consists of \$11,150,000 in loans for nine harbor development projects, \$100,000 for statewide planning loans, and \$100,000 for emergency storm repair loans.

Table 3
Small Craft Harbor Construction Loans
1984-85

<i>Project</i>	<i>Status</i>	<i>Amount</i>
1. Antioch Marina.....	New	\$2,000,000
2. Balboa Basin	Completion	800,000
3. Martinez Marina.....	Improvements	750,000
4. Oceanside Harbor	Improvements	900,000
5. Oyster Point	Improvements	1,000,000
6. Pillar Point Harbor	Improvements	2,000,000
7. Santa Barbara Harbor	Improvements	1,600,000
8. South Beach Marina	Second Phase	1,500,000
9. Vallejo Marina.....	Improvements	600,000
10. Statewide planning	Unspecified	100,000
11. Emergency storm repairs	Unspecified	100,000
Total		<u>\$11,350,000</u>

Amount Requested for The Antioch Marina Project Exceeds Amount Needed to Keep Project on Schedule

We recommend a reduction of \$1,800,000 requested in Item 3680-101-516 for a loan to the Antioch Marina Project because (1) permitting and design work need to be completed before the Legislature will have the information it needs to consider the project for construction financing and (2) the costs are overbudgeted.

The budget requests \$2,000,000 for a loan to finance phase one of the Antioch Marina project in 1984-85. This phase consists of permitting, design, land acquisition, and the initial improvements necessary to begin construction of the marina. Phase one is scheduled to begin in 1984-85 and end by July 1, 1986.

The total cost of the Antioch Marina project is estimated at \$6,250,000, and will be financed over several years with \$5,500,000 in loans from the department and \$750,000 in local revenues.

Overbudgeting for Project Costs in 1984-85. The feasibility study

submitted by the City of Antioch estimates that the amount of funding needed for this project in 1984-85 is approximately \$500,000, assuming that the project proceeds on schedule. The work scheduled for 1984-85 consists of a portion of the work defined as phase one of the project. According to the city's feasibility study, major construction work is not scheduled to begin until 1985-86. Thus, at least \$1.5 million of the \$2 million requested will not be needed in the budget year.

Permit and Design Costs. Of the \$500,000 identified by the feasibility study as needed in 1984-85, \$200,000 is for the cost of preparing the project design and permit applications. This work must be completed before any construction can commence. In addition, this work must occur before the Legislature will have the information it will need in order to determine how large a financial commitment should be made to this project.

Analyst's Recommendation. We recommend that funding for the Antioch Marina project in 1984-85 be limited to \$200,000—the amount needed to cover the professional fees for permit applications and design plans and specifications. This amount would allow the project to get started without prematurely committing the state to provide funds for construction. It will also assure that the Legislature has an opportunity to evaluate the merits of the project based on the findings of the appropriate state regulatory agencies and more-refined estimates of project costs. Accordingly, we recommend a reduction of \$1,800,000 in the amount budgeted for the Antioch Marina in 1984-85. This need not delay the project since the city could provide the remaining \$300,000 of the \$500,000 planned for expenditure in 1984-85 from the \$750,000 in local funds that it will provide to the total project.

Santa Barbara Harbor and Oceanside Harbor Projects

We recommend that the Legislature adopt Budget Bill language making the encumbrance of funds for the Santa Barbara Harbor project and Oceanside Harbor project contingent upon project approval by the California Coastal Commission and the U.S. Army Corps of Engineers.

The department requests loan funds of \$1,600,000 for the construction of improvements at Santa Barbara Marina and \$900,000 for the replacement and improvement of facilities at the Oceanside Marina. Based on the feasibility studies submitted for these projects, the projects appear to be suitable for funding under the department's marina loan program. However, the department reports that permits have not been received for these projects from either the U.S. Army Corps of Engineers or the California Coastal Commission. These agencies must approve the projects before construction can begin. Accordingly, we recommend adoption of the following Budget Bill language under Item 3680-101-565:

“Provided that none of the funds for the Santa Barbara Marina project or the Oceanside Marina project may be encumbered unless and until coastal permits and permits from the U.S. Army Corps of Engineers are received.”

Martinez Marina

We recommend that the Legislature adopt Budget Bill language making the encumbrance of funds for the Martinez Marina project contingent upon project approval by the appropriate state and federal agencies.

The department proposes a \$750,000 loan for the construction and im-

DEPARTMENT OF BOATING AND WATERWAYS—Continued

provement of ancillary facilities at Martinez Marina. Our review of the feasibility study submitted by the City of Martinez indicates that this project is suitable for funding. According to the department, however, the permits required for the project have not been issued by the San Francisco Bay Conservation and Development Commission and the U.S. Army Corps of Engineers. Accordingly, we recommend adoption of the following Budget Bill language under Item 3680-101-565:

“Provided that none of the funds for the Martinez Marina project may be encumbered unless and until permits from the San Francisco Bay Conservation and Development Commission and the U.S. Army Corps of Engineers are received.”

Request for South Beach Marina is Premature

We recommend a reduction of \$1,500,000 in Item 3680-101-516 to delete loan funds for the South Beach Marina Project in San Francisco because adequate funds to complete necessary permitting and design work are available and the request for construction money is premature.

The budget requests funds for a \$1.5 million loan to the South Beach Marina Project in 1984–85. It indicates that an additional \$2,000,000 will be needed to fund the project in future years. The project constitutes large-scale development of a new 673-berth small craft harbor by the Port of San Francisco. The 1983 Budget Act appropriated \$4.5 million to the department for a loan to this new marina project. As of December 1983, the department reports that none of the \$4.5 million has been disbursed.

Request for Construction Funding is Premature. Before construction of this project can begin, permits must be issued by various federal, state and local agencies. These agencies include: (1) the U.S. Army Corps of Engineers, (2) the San Francisco Bay Conservation and Development Commission (BCDC), (3) the California State Lands Commission, (4) the City and County of San Francisco, and (5) the Port of San Francisco. According to the department, none of these permits have been issued.

This project has had difficulty staying on schedule. According to the feasibility study submitted by the City and County of San Francisco, construction activities were scheduled to commence during the current year. At the time this *Analysis* was prepared, a contract had been awarded for the preparation of plans and specifications and the department reported that the project design work was approximately 75 percent complete. Even so, the project is a long way from being ready for construction. In addition to completion of the permit approval process and the project design work, several other major steps must be taken before construction of the project can proceed. Specifically, (1) tenants must be relocated, (2) the embarcadero must be realigned, (3) local revenue bonds must be sold, and (4) property must be leased.

Sufficient Funds for Permitting/Design Already Available. Our analysis indicates that the \$4.5 million appropriated for this project in 1983–84 exceeds the department's share (\$1,589,000) of all engineering and administration costs associated with the project, including necessary permitting and design work. Accordingly, no additional funds are needed to complete this phase of the project.

Sufficient Local Funds Are Available to Complete the Project. Even if the project were ready for construction, it is not clear that additional state money would be needed. As of June 1982, the total cost of this

project was estimated at \$39.7 million, including construction and revenue bond financing costs. The feasibility report submitted to the department by the City and County of San Francisco recommended that the funding for the project be secured through an initial state loan of \$3 million and the sale of revenue bonds totaling \$36.7 million by the city's redevelopment agency. The report recommended, however, that the agency apply for \$8 million in state loans "in order to enhance the financial feasibility of the project by retiring a portion of the revenue bonds early and replacing them with the lower interest rate Cal Boating (Department of Boating and Waterways) funds."

Our analysis indicates that sufficient local funds are available to finance the remaining costs of this project. If, however, the Legislature wishes to provide additional funds for this project, it can defer doing so until 1985-86, when better information will be available, without delaying the project.

In sum, the appropriation of additional construction funds can be postponed until design and permitting are completed, the construction schedule is firm, and the Legislature has the information it needs in order to assess the project's full cost. Providing major state financing for project construction at this time would be premature. Thus, we recommend the additional \$1.5 million requested for this project in 1984-85 be deleted.

Delete Funding for Vallejo Marina

We recommend the deletion of \$600,000 requested in Item 3680-101-516 for the Vallejo Marina because the request is premature.

The budget requests \$600,000 for the Vallejo Municipal Marina Project in 1984-85. It indicates that an additional \$1,200,000 will be needed to complete the project in future years.

The feasibility study submitted by the City of Vallejo indicates that the environmental review of the project has not been completed. In addition, none of the necessary project permits have been obtained, including permits from the San Francisco Bay Conservation and Development Commission and the U.S. Army Corps of Engineers.

The project feasibility study further indicates that funding from the Department of Boating and Waterways will not be needed until 1985-86, since preparation of plans and specifications is not scheduled to begin until July 1, 1985. Accordingly, we recommend that the \$600,000 requested for this project be deleted, on the basis that the request is premature.

Evaluation of Marina Loan Program Needed

We recommend that the Legislature adopt supplemental report language directing the department to submit a report, by October 1, 1984, to the fiscal committees and the Joint Legislative Budget Committee on the status of the marina loan program and the justification for continuing to fund it at the current level.

The Department of Boating and Waterways' HWRF loan program for public small craft harbors and marinas has existed since 1967. As of June 30, 1982, the department had made approximately 100 loans to local agencies from the fund. These loans total \$86,856,000. Since the program's inception, approximately 17 local agencies have received construction loans for 32 marinas. The average marina project has received three loans from the department.

As shown in Table 4, each of the projects for which funds are requested in 1984-85, other than the Antioch project, have received loan authorizations in previous years.

DEPARTMENT OF BOATING AND WATERWAYS—Continued

Table 4
Small Craft Harbor Construction Loans
Total Funding for Projects Budgeted for Loans in 1984-85

<i>Project</i>	<i>Amount Requested 1984-85</i>	<i>Total Previous Loan Amount</i>	<i>Proposed Future Funding</i>	<i>Total</i>
1. Antioch Marina	\$2,000,000	—	\$3,500,000	\$5,500,000
2. Balboa Basin	800,000	\$2,500,000	—	3,300,000
3. Martinez Marina	750,000	2,225,000	—	2,975,000
4. Oceanside Harbor	900,000	2,375,000	—	3,275,000
5. Oyster Point	1,000,000	8,072,000	2,000,000	11,072,000
6. Pillar Point	2,000,000	4,100,000	—	6,100,000
7. Santa Barbara Harbor.....	1,600,000	5,691,000	1,400,000	8,691,000
8. South Beach Marina	1,500,000	4,500,000	2,000,000	8,000,000
9. Vallejo Marina	600,000	2,136,000	1,200,000	3,936,000
Total.....	\$11,150,000	\$31,599,000	\$10,100,000	\$52,849,000

Charts 2 and 3 show that expenditures for marina loans amounted to 55 percent of the revenue to the HWRF during the period July 1, 1980 through June 30, 1982, while repayments of loan principal and interest accounted for only 20 percent of the revenue to the HWRF during the same period. Revenue in the HWRF is dedicated for boating-related purposes. The primary sources of revenue to the fund consist of gasoline taxes paid by boaters (\$11,000,000 in 1984-85) and boat registration fees (\$4,200,000 in 1984-85).

Chart 2
Income to the Harbors and Watercraft Revolving Fund
(July 1, 1980-June 30, 1982)

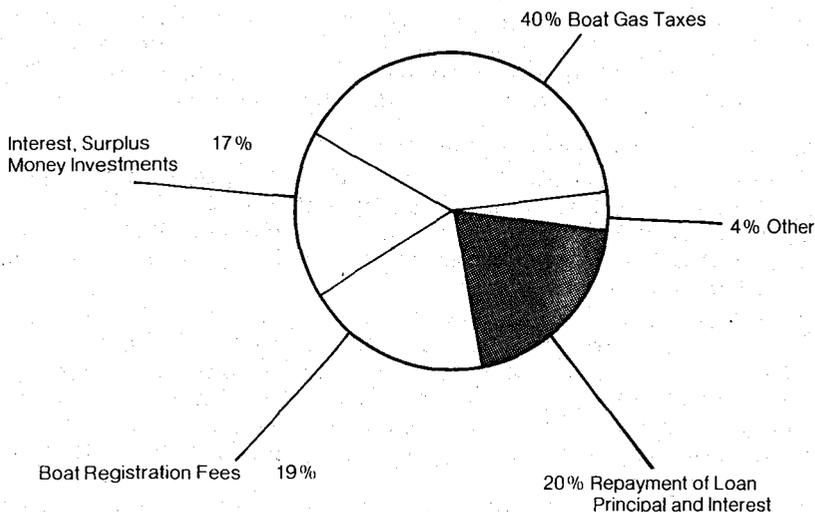
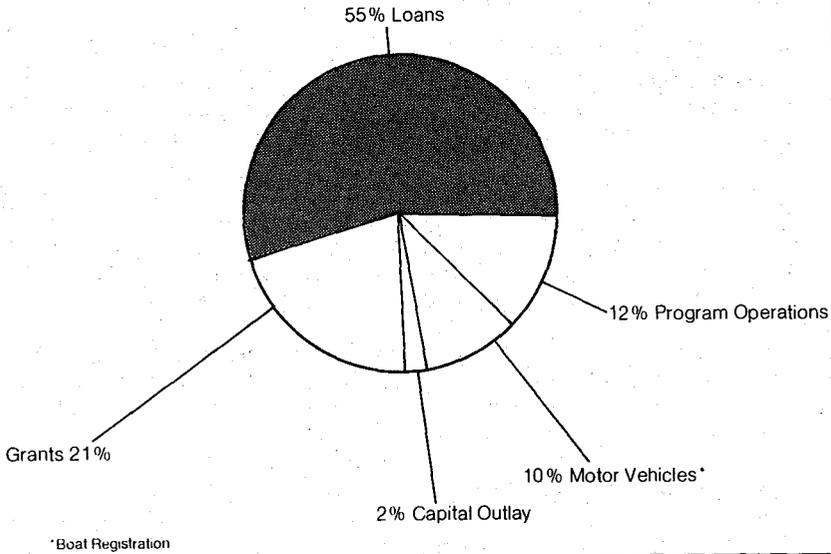


Chart 3
Expenditures from the Harbors and Watercraft Revolving Fund
As a Percentage of Income
(July 1, 1980–June 30, 1982)



The marina loan program primarily benefits those boaters that rent slips in the funded marinas. Since its inception, the department estimates that the marina loan program has funded construction of 20,000 slips. In contrast, there were 600,000 boats registered in California in 1983. Thus, the primary beneficiaries of the loan program represent a small proportion of California's boaters.

The marina loan program may no longer warrant state support at the level provided in recent years, given the small proportion of boaters that directly benefit from the program and the large percentage of HWRF revenues devoted to it. Consequently, we believe the program is ripe for legislative review. To secure the information needed for such a review, we recommend that the Legislature adopt the following supplemental report language requiring a report by the department:

“The Department of Boating and Waterways shall report to the fiscal committees and the Joint Legislative Budget Committee, by October 1, 1984, on the status and continuing need for the marina loan program. The report shall include the following information: (1) an analysis of whether the number of feasible sites for new marinas has diminished,

DEPARTMENT OF BOATING AND WATERWAYS—Continued

(2) an analysis of the demand for new or improved marinas, (3) the number of boaters that benefit from this program compared to the number of boaters providing the revenues used to support it, and (4) how the priority of this program compares to alternative programs for utilizing the revenues collected from boaters.

Unsubsidized Interest Rate Needed

We recommend that the Legislature adopt Budget Bill language directing the department to set the interest rates for small craft harbor loans at a level equal to the average annual yield of the Surplus Money Investment Fund.

The department makes small craft harbor loans for a 30-year term at a fixed interest rate. Currently, this rate is set at 7.9 percent. In contrast, the Surplus Money Investment Fund is currently earning 10 percent interest on its investments. Thus, the interest rate charged by the department on small craft harbor loans is less than the interest foregone by the state in making the loan.

The low interest rates paid for marina loans benefit a small portion of California's boaters, all of whom provide revenue to the HWRF. To this extent, there is a subsidy from boaters in general to boaters that have slips in marinas.

Accordingly, we recommend that the Legislature adopt the following Budget Bill language providing for the interest rates on small craft harbor loans to be set at the rate earned by the Surplus Money Investment Fund:

“The Department of Boating and Waterways shall set the interest rates for small craft harbor loans at a level equal to the average annual yield of the Surplus Money Investment Fund.”

Grants for Boating Law Enforcement

We recommend a reduction of \$227,000 requested in Item 3680-101-516 for boating safety and enforcement and the adoption of Budget Bill language restricting the use of federal funds in Item 3680-101-890 in order to (1) ensure that federal funds are used in a manner consistent with state law and (2) save state funds by providing that available federal funds be used in lieu of state money.

The department requests \$3,427,000 to provide grants for local boating safety and enforcement programs in 1984-85. This amount consists of \$3,200,000 from the HWRF and \$227,000 in federal funds. During 1983-84, the department plans to supplement local assistance boating safety, law enforcement, and education programs with \$285,000 in federal funds.

The department reports that it does not intend to use federal funds received in either 1983-84 or 1984-85 to supplement the existing subvention program for boating safety and enforcement that is authorized by state law. Rather, it intends to allocate the additional federal funds to those local governments that are *ineligible* to receive state aid under current law. These local governments are ineligible to receive state aid primarily because they have chosen not to use all of their local boating-related revenue for boating safety and law enforcement.

The department's existing subvention program for local boating safety and enforcement programs is authorized in the Harbors and Navigation Code (Section 663.7). The statute requires that:

1. The department calculate the total cost of an agency's boating safety

and enforcement needs based on (a) the number of square miles of boating waters, (b) the amount of boating use that will require one safety patrol unit, and (c) the cost of a patrol unit.

2. The amount of aid should equal the difference between (a) the calculated need and (b) the local monies derived from personal property taxes on boats and fees charged for inspections of vessels.

Local agencies must spend all of their local boating revenues prior to receiving any state financial assistance.

We believe that the department's proposal to allocate \$227,000 of federal funds to counties and other agencies that are not spending all of their available local revenues for boating safety and law enforcement is inconsistent with the intent of existing state law, as adopted by the Legislature. To ensure that federal funds are spent in a manner consistent with the existing state program we recommend that the Legislature adopt the following Budget Bill language:

"The Department of Boating and Waterways shall use federal funds appropriated in Item 3680-101-890 in a manner consistent with the existing state subvention program for boating law enforcement under Section 633.7 of the Harbors and Navigation Code."

We note that the department has not presented any justification to the Legislature for the proposed increase in funding for the state subvention program. Absent such justification, we have no basis on which to recommend an augmentation for the program. Accordingly, we further recommend that \$227,000 of federal funds expected to be available in 1984-85 be used to replace \$227,000 in state funds from the HWRP budgeted for boating safety and enforcement, for a corresponding savings to the HWRP.

Beach Erosion Control

The objectives of the Beach Erosion Control program are to mitigate coastal erosion and to develop shoreline cooperative efforts with federal, state, and local agencies in connection with both research and erosion control projects. Major beach erosion projects are constructed by the U.S. Army Corps of Engineers. The budget proposes \$2,885,000 in Item 3680-101-001 to provide state support for two projects planned for construction by the corps or local agencies (discussed below).

Staff for the Beach Erosion Control program is supported from the General Fund (Item 3680-001-001). For 1984-85, the department requests \$226,000 for administration, an increase of \$11,000, or 5.1 percent, above estimated current-year expenditures. Our analysis indicates that the amount proposed for support is appropriate.

Imperial Beach Project

We recommend approval.

The budget requests \$1,355,000 for the fourth stage of the ongoing Imperial Beach stabilization project in San Diego County. The U.S. Army Corps of Engineers will provide \$3,590,000 and the City of Imperial will contribute another \$1,355,000 toward the project costs. The project consists of constructing a submerged breakwater parallel to the shore and extending an existing groin for sand retention. Funding for this project was requested in both 1981-82 and 1983-84, with the state's share proposed at \$600,000 and \$1,225,000, respectively. Because federal monies were not available to complete the project, the state money was reverted and the project has

DEPARTMENT OF BOATING AND WATERWAYS—Continued

been deferred until 1984–85.

The corps indicates that it has received funding for the project and plans to initiate the construction contract prior to 1984–85. The state and the City of Imperial are each contributing 50 percent of the nonfederal share of project cost, in accordance with state law. On this basis, we recommend approval of the amount proposed.

Pacifica Seawall Project

We recommend a reduction of \$1,530,000 in Item 3680-101-001 to delete funding for the Pacifica Seawall Project due to (1) the lack of information needed to permit legislative evaluation of the project's purpose, cost, and appropriate funding source and (2) the absence of approved project permits and operating agreements that are needed before the project can begin.

The budget proposes \$1,530,000 from the General Fund to provide the state's share of a seawall construction project to be undertaken with the City of Pacifica. The City of Pacifica will provide \$510,000 toward the cost of the project and will be responsible for contracting to have the work completed. The project consists of the construction of a rubble-mound seawall extending 1,250 feet along a city-owned roadway that parallels a recreational beach and fishing pier. The project would protect the city road and public utilities serving the pier from damage by wave erosion of the underlying bluff. The beach itself will not be protected or replenished by the project.

The project site includes property that is owned by the state Wildlife Conservation Board. The board provided approximately \$600,000 for construction of the pier. The pier and adjoining beach area are operated and maintained by the City of Pacifica pursuant to a 25-year master agreement with the Department of Fish and Game. Under this agreement, the city receives all of the revenue from a concession operation on the pier.

Department's Proposal Inadequate. The department's proposal does not provide adequate information to justify the proposed expenditure. Specifically, the proposal fails to address adequately the following:

1. The purpose of the project. The project does not appear to be a beach erosion project authorized under current law. Nor is there a clear need for the project in order to protect access to the pier and beach area because access from other streets is available.

2. The basis for allocating costs between the state and the City of Pacifica.

3. Whether the Department of Boating and Waterways or the Wildlife Conservation Board is the appropriate state agency to participate and fund this project.

4. The design of the seawall.

5. The ownership of all of the property and the proposed improvements.

State Agency Approval and Agreements Needed. Approval of the project has not been secured from the California Coastal Commission or the Wildlife Conservation Board. The master agreement between the Department of Fish and Game and the City of Pacifica would also have to be amended to provide assurances required by state law.

Given the lack of basic information on the project and the numerous steps that must be taken before the project can commence, we recom-

mend that funding for the project be deleted, for a savings of \$1,530,000 to the General Fund.

DEPARTMENT OF BOATING AND WATERWAYS—CAPITAL OUTLAY

Item 3680-301 from the Harbors and Watercraft Revolving Fund

Budget p. R 109

Requested 1984-85	\$585,000
Recommended approval	585,000

ANALYSIS AND RECOMMENDATIONS

The budget requests \$585,000 from the Harbors and Watercraft Revolving Fund (HWRF) to support capital outlay projects proposed by the Department of Boating and Waterways in 1984-85. Funding is requested solely from the HWRF because park bond funds are no longer available for this purpose.

Item 3680-301-516—Harbors and Watercraft Revolving Fund	\$585,000
(a) Project Planning	20,000
(b) Minor capital outlay	565,000

We recommend approval.

Schedules (a) and (b) finance planning work and minor capital outlay projects (boarding floats, launching ramps, and miscellaneous improvements). Projects are proposed at (1) Kings Beach Boat Launching Facility, (2) Morro Bay State Park, (3) Perris Lake State Recreation Area, (4) Salton Sea State Recreation Area, (5) Silverwood Lake State Recreation Area, (6) San Luis Reservoir, and for unspecified emergency boat ramp repairs or extensions. These projects meet criteria established for minor capital outlay funding, and our analysis indicates that they are reasonable in scope and cost.

Resources Agency

CALIFORNIA COASTAL COMMISSION

Item 3720 from the General Fund and Environmental License Plate Fund

Budget p. R 110

Requested 1984-85	\$6,790,000
Estimated 1983-84	6,340,000
Actual 1982-83	6,501,000
Requested increase (excluding amount for salary increases) \$450,000 (+7.1 percent)	
Total recommended reduction	None
Recommendation pending	280,000

CALIFORNIA COASTAL COMMISSION—Continued**1984-85 FUNDING BY ITEM AND SOURCE**

Item	Description	Fund	Amount
3720-001-001—Support		General	\$6,226,000
3720-001-140—Support		Environmental License Plate	284,000
3720-101-001—Local assistance		General	280,000
3720-101-890—Support		Federal Trust	(31,000)
9680-101-001—Legislative Mandates		General	(400,000)
Total			\$6,790,000

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS*Analysis
page*

1. Federal Funds. Recommend that the Department of Finance report to the Legislature, at the earliest possible date, on the administration's intentions with respect to up to \$1,684,000 in federal CZMA funds which are available for expenditure only during the remainder of the current fiscal year. 675
2. Coastal Energy Program. Recommend that the commission prepare and submit to the Legislature an updated estimate of the personnel-years needed to adequately staff its coastal energy program. 676
3. Local Coastal Programs. Recommend that the commission submit a schedule of projected land use plan and local coastal program (LCP) completions for each segment of the coastal zone. 678
4. Local Coastal Programs. Recommend that legislation be enacted to (a) establish new deadlines for local government completion of LCPs, (b) require the commission to complete an LCP for any local government that does not meet the new deadline, (c) relieve the state of financial responsibility for any costs incurred by local governments for LCP preparation after the new deadline, (d) prohibit the expenditure of State Coastal Conservancy funds, after the new deadline, in any segment of the coastal zone for which the commission has not certified an LCP, and (e) allow local governments to take over LCP implementation at anytime, subject to commission approval. 678
5. Coastal Management Program. Recommend that the commission report to the Legislature on its estimate of staff needed for its coastal management program in the budget year and the workload standards used to derive its estimate. 681
6. LCP Local Assistance and Legislative Mandates. Withdraw recommendation on Item 3720-101-001—\$280,000 for LCP grants to local governments—pending clarification by the commission of how much will be needed to fund local governments' coastal-related costs in 1984-85. 682

GENERAL PROGRAM STATEMENT

The California Coastal Commission is responsible for monitoring the state's coastal management program pursuant to the 1976 Coastal Act, as amended. The two principal elements of this program involve the preparation of local coastal programs (LCPs) and the regulation of development in the 67 local jurisdictions within the coastal zone.

In addition, the Coastal Commission is the designated state coastal management agency for purposes of administering the federal Coastal Zone Management Act (CZMA) in the state. Under the CZMA, California has received substantial federal funding to develop and implement the federally certified California Coastal Management Program (CCMP), which is based on the policies established in the Coastal Act. Because the CCMP is federally certified, the CZMA also delegates to the commission authority over some federal activities that otherwise would not be subject to state control.

The commission has 15 members, consisting of 6 public members, 6 elected local officials, and 3 nonvoting ex-officio members representing state agencies. The commission has its headquarters in San Francisco and 5 district offices in key coastal areas. The commission has authorization for 130 personnel-years of staff in the current year.

OVERVIEW OF THE BUDGET REQUEST

The budget proposes expenditures of \$6,790,000 from state funds for the California Coastal Commission in 1984-85. This amount, which includes both support and local assistance, is \$450,000, or 7.1 percent, greater than estimated expenditures from state funds in the current year. The increase will grow by the cost of any increase in salary or staff benefits that may be approved for the budget year.

The General Fund request for 1984-85 includes \$6,226,000 for state operations and \$280,000 for local assistance. This \$280,000 is requested to fund LCP development and implementation grants to local governments. The budget for the commission does not include funds to reimburse local governments for LCP costs not covered by grants. Instead, these funds are provided through the state mandated local program appropriation (Item 9680).

Total proposed expenditures, including expenditures from federal funds and reimbursements, are \$6,861,000 in 1984-85. This is \$67,000, or 1.0 percent, less than estimated total expenditures in the current year. Expenditures from federal funds are expected to decrease by \$517,000 in 1984-85, due to the elimination of the federal CZMA grants to the state. Most of this reduction in federal funds is offset, however, by the proposed increase of \$444,000 from the General Fund.

Table 1 summarizes the significant program changes proposed in the budget for 1984-85.

CZMA Funds. Current-year expenditures include \$517,000 in federal CZMA funds appropriated by Ch 1308/83 (SB 232). These funds are being used to finance (1) costs directly associated with current-year staff reductions, such as lump-sum vacation and compensating time off (\$333,000), (2) federally mandated program activities (\$94,000), and (3) pass-through to the San Francisco Bay Conservation and Development Commission (BCDC) (\$90,000). No CZMA funds will be available in the budget year.

Rental Increases. The budget includes \$159,000 from the General Fund to cover the increased cost of renting office space for the commission in the budget year.

CALIFORNIA COASTAL COMMISSION—Continued

Table 1
California Coastal Commission
Program Changes by Fund
(in thousands)

	General Fund	ELPF ^a	Federal Reimburse- Funds	ments	Totals
1983-84 Expenditures (Revised)	\$6,062	\$278	\$548	\$40	\$6,928
A. Program Changes					
1. Elimination of federal support funds for BCDC ^b	—	—	-90	—	-90
2. Loss of federal CZMA funds	—	—	-94	—	-94
B. Administrative Changes					
1. Office rental increase	159	—	—	—	159
2. One-time costs associated with staff reduc- tions in 1983-84	—	—	-333	—	-333
3. Baseline and miscellaneous changes	285	6	—	—	291
1984-85 Expenditures (proposed)	\$6,506	\$284	\$31	\$40	\$6,861
Change from 1983-84	\$444	\$6	-\$517	—	-\$67

^a Environmental License Plate Fund.

^b San Francisco Bay Conservation and Development Commission receives federal funds via the Coastal Commission in the current year.

Current-year Staff Reductions

The Budget Act of 1983, as signed by the Governor, made significant reductions in the Coastal Commission's programs and staff. These reductions reflected, in part, an expected decline in LCP and permit workload and, in part, policy decisions made by the administration. Table 2 shows the 1983-84 reductions in commission personnel, by program element, and the resulting distribution of staff. The table reflects internal redirections made by the commission after the Budget Act was chaptered in order to reestablish an energy planning and regulation unit. The 1984-85 budget proposes to maintain both the current-year level and distribution of staff.

Table 2
Staffing Reductions and Allocations
By Program Element
(Personnel-Years)

Program	1982-83	Governor's Budget		1983-84	Current and
	Actual	Workload	Policy	Redirection	Proposed Staffing
Coastal Management					
Permitting	65.0	-7.4	—	-5.2	52.4
LCP Review	57.8	-7.5	—	-3.4	46.9
Coastal Access	4.5	—	—	—	4.5
Planning and Support	32.2	2.0	-19.7	1.6	16.1 ^a
Coastal Energy					
CEIP	1.0	—	—	—	1.0
Planning and Regulation	7.0	—	-7.0	7.0	7.0
Administration	2.0	—	—	—	2.0
Totals	169.5	-12.9	-26.7	—	129.9

^a Includes 2.0 positions for a new coastal resource information center element shown in the 1984-85 budget which were displayed in the planning and support element in the 1983-84 budget.

Workload Reductions. The commission has been reducing its staff as more local governments complete their LCPs and the commission's coastal management workload decreases. Reductions were first made in 1981-82, and additional reductions occurred in 1982-83. In each case, the reduction was based on the commission's projection of LCP completions in the succeeding year and a 1978 Department of Finance study of the commission's staffing needs. In 1983-84, 14.9 personnel-years were eliminated from the commission's coastal management program as part of this continuing reduction due to declining workload.

Governor's 1983-84 Policy Reductions. In the current year, the Governor reduced the commission's staff by 26.7 personnel-years, reflecting policy decisions that (1) coastal land use and offshore energy development planning are more appropriately performed by the Governor's Office of Planning and Research (OPR) (18.7 personnel-years), (2) legal services are more appropriately provided on a centralized basis through the Attorney General's office (4.5 personnel-years), and (3) available federal funds should not be budgeted for the commission (3.5 personnel-years).

Elimination and Reemergence of The Coastal Energy Program. The budget for 1983-84 proposed the transfer of all coastal energy policy and planning activities to the Governor's Office of Planning and Research (OPR), and eliminated from the commission's budget funding for this element. The Legislature restored funding for the element. These funds, however were vetoed by the Governor, when he signed the 1983 Budget Act.

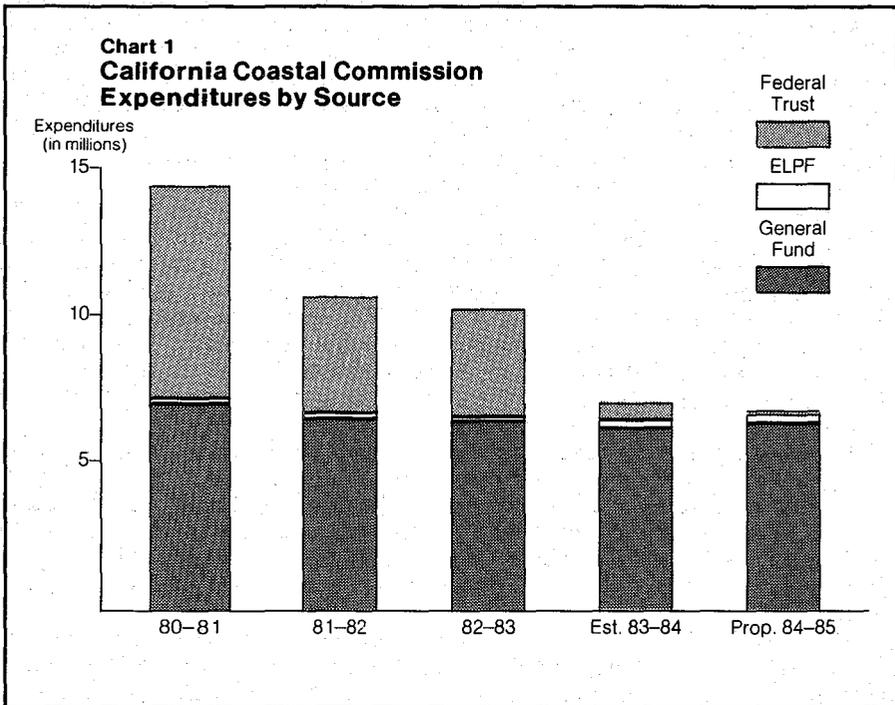
After the Budget Act was signed, the commission redirected (1) \$292,000 (7.0 personnel-years) to reestablish its energy planning and regulation element and (2) \$67,000 (1.6 personnel-years) to its planning and support element for coastal energy activities. The budget for 1984-85 recognizes these current-year redirections and proposes to continue them in the budget year.

Loss of Federal Funds

The budget reflects the loss of all but \$31,000 in federal funds, due to the termination of two federal financial assistance programs under the CZMA. The first program provided CZMA funds to states for the development and implementation of state programs to manage coastal resources. The second, the Coastal Energy Impact Program (CEIP), provided funds to state and local governments to study and mitigate the impacts of coastal energy projects.

The reduction in federal funds projected for the budget year continues a four year trend. Chart 1 illustrates that federal funds have declined consistently since 1980-81. It also shows that almost all of the \$7,416,000 decrease in total expenditures by the commission is due to the decline in federal funds. Expenditures by the commission from state funds have remained virtually constant.

CALIFORNIA COASTAL COMMISSION—Continued



CZMA Funds. In the past, the commission has used CZMA funding primarily to assist local governments in preparing their local coastal programs (LCPs). The CZMA funds have also been used to (1) help defray the commission's costs of regulating coastal development prior to LCP certification, (2) provide staff assistance to local governments and develop technical information for use in the preparation of LCPs, (3) perform planning and support studies on issues affecting more than one local government, and (4) partially fund the coastal regulatory and management activities of the San Francisco Bay Conservation and Development Commission (BCDC).

CEIP Funds. In 1976, Congress amended the Coastal Zone Management Act to include the Coastal Energy Impact Program (CEIP). In the past, the commission has provided CEIP funds to other state agencies and local governments to plan for coastal energy activities and to mitigate adverse impacts resulting from coastal energy development. In addition, the CEIP funds have been used to promote state agency and local government participation in the U.S. Department of Interior's Outer Continental Shelf (OCS) oil and gas leasing program. The \$31,000 appropriated in the current year is being used to administer the final grant awards that were made in 1982-83. An identical amount is proposed for phase-out of the program in the budget year.

ANALYSIS AND RECOMMENDATIONS

Federal Funds Now Available May Be Lost

We recommend that the Department of Finance report to the Legislature, at the earliest possible date, on the administration's intentions with respect to up to \$1,684,000 in federal CZMA funds which are available for expenditure only during the remainder of the current fiscal year.

The Coastal Commission received its final allocation of CZMA funds—\$900,000—in late 1982, at which time the commission requested authorization from the Department of Finance, under Section 28 of the 1982 Budget Act, to spend these funds in 1982–83. The Department of Finance, however, has not agreed to authorize the requested augmentation. In addition to these funds, the commission still has available \$12,000 of CZMA funds remaining from its 1982–83 budget, bringing the total available for expenditure in 1983–84 to \$912,000.

The Budget for 1983–84 did not propose any of the available CZMA funds for expenditure in the current year. The Legislature, however, has made several efforts to make these funds available for expenditure. It appropriated \$674,000 of these CZMA funds to the commission in the 1983 Budget Act. The Governor vetoed these funds. Subsequently, Ch 1308/83 (SB 232) appropriated the entire \$912,000 for: (1) costs directly related to current-year staff reductions (\$333,000), (2) federally mandated program improvements (\$94,000), (3) pass-through money to the BCDC (\$90,000) and (4) commission staff assistance to local governments in completing their local coastal programs (LCPs) and LCP review (\$395,000). The Governor vetoed the \$395,000 for LCP assistance and review.

At the time this *Analysis* was prepared, \$395,000 in CZMA funds remained unappropriated. *These funds will be available for obligation by California only until July 1, 1984, at which time they will revert to the federal treasury.*

In addition to these funds, up to \$439,000 of CZMA funds already appropriated for LCP subventions had not been obligated at the time this *Analysis* was prepared. These funds cannot be spent for LCP preparation after January 1, 1984, due to federal restrictions. Moreover, the funds will not be needed to fund LCP implementation costs in the current year. *This money also will revert to the federal treasury if not expended in the current year.*

An additional \$850,000 of CZMA funds previously appropriated for local assistance had been *obligated* through contracts with local governments for LCP preparation, but had not been *expended* as of January 1, 1984, the deadline for expenditure of federal funds for LCP preparation. It is unclear whether these funds can be made available for other uses in the current year. *If these funds are not used in the current year, they also will revert to the federal government.*

Therefore, as much as \$1,684,000 of federal funds available for expenditure during the remainder of 1983–84 could revert to the federal government on July 1, 1984 if the expenditure of these funds is not authorized for federally approved activities in the near future.

It is possible that some or all of this money could be used in the current year to either replace General Fund support for the commission or to augment the commission's programs on a one-time basis in a manner consistent with legislative objectives for the commission. Any use of these funds, however, will require immediate action on the part of the state. Accordingly, we recommend that the Department of Finance report to the Legislature, at the earliest possible date, on the administration's intentions with respect to these CZMA funds.

CALIFORNIA COASTAL COMMISSION—Continued**Energy Program Reestablished**

We recommend that the commission prepare an updated estimate of its workload and staff needs for its coastal energy program in 1984-85.

The budget proposes \$315,000 (7.0 personnel-years) from the General Fund for coastal energy planning and regulation in 1984-85. In the past, these activities have consisted of three principal tasks:

1. The implementation of special Coastal Act provisions relating to the siting and operation of refineries, electric power plants, marine terminals, oil and gas drilling, and other energy facilities in the coastal zone;
2. The exercise of the commission's "consistency review" authority for exploration and development activities on the federal Outer Continental Shelf (OCS) to determine whether the proposed actions comply with California Coastal Management Program requirements; and
3. The development of policy statements regarding vessel traffic safety, air quality, oil spill containment and clean-up, conflicts with commercial fishing, marina resources protection, and cumulative impacts. These studies guide the commission in its consideration of policies and development proposals offshore and on the federal OCS.

1983-84 Budget Action. The 1983-84 budget proposed the elimination of coastal energy planning and regulation at the commission and the transfer of these responsibilities to the Governor's Office of Planning and Research (OPR). To accomplish this, the budget eliminated the 7.0 positions in the commission's energy regulation element and 4.0 positions from the support studies element whose work responsibilities were energy related. This reassignment of coastal energy planning and regulatory activities to OPR reflected a policy decision on the part of the administration that coastal and offshore energy development planning are more appropriately performed by OPR.

The Legislature, however, provided in the 1983 Budget Act \$548,000 of federal Coastal Zone Management Act (CZMA) funds and 13.0 positions to the commission for coastal energy planning and regulation. The Governor vetoed these funds.

In order to fulfill its Coastal Act responsibilities relating to coastal energy planning and regulation and to exercise its consistency review authority pursuant to federal law, the commission has redirected \$359,000 of General Fund money and 8.6 personnel-years from its LCP and coastal development regulatory work to energy planning and regulatory activities.

Administration Changes its Policy. The Governor's request for \$315,000 to support coastal energy planning and regulation at the commission in 1984-85 represents a recognition on the part of the administration that the Coastal Commission has a definite role to play in coastal energy planning and regulation.

The budget proposes to reestablish the energy planning and regulation element at its 1982-83 level. It does not, however, reestablish the positions in the support studies element whose principal work responsibilities were energy-related.

Workload Difficult to Project. Recent discoveries in the Santa Maria Basin, offshore from San Luis Obispo and Santa Barbara Counties, indicate that this may be the site of one of the largest oil fields in the

United States. At the same time, the Department of the Interior has accelerated its leasing of the federal OCS for additional oil and gas exploration and development. Five federal lease sales have been held in the past two years and another three are scheduled for the next three years. The commission has been conducting a consistency review for each lease sale, and must review plans for exploration and development prepared subsequent to the awarding of leases.

In addition, the State Lands Commission has lifted its 10-year moratorium on offshore leasing. The 40,000-acre Point Conception/Point Arguello lease sale was scheduled for August 1983, but has been postponed due to litigation. One issue in litigation is the question of whether the State Lands Commission requires a coastal permit before it may lease state tide and submerged lands for oil development. In our analysis of the State Lands Commission's budget (Item 3560), we recommend enactment of legislation to make explicit the Coastal Commission's authority to grant permits for the leasing activities of the State Lands Commission.

Table 3 summarizes the commission's coastal energy permit and consistency review workload since 1981-82, and includes the most recent projections for 1984-85.

Table 3
California Coastal Commission
Permit and Consistency Review Workload
1981-82 through 1984-85

	1981-82	1982-83	<i>Estimated</i> 1983-84	<i>Projected</i> 1984-85
Energy Permits				
Onshore.....	24	29	10	33
Offshore.....	4	15	20	25
OCS Consistency Determinations				
Lease Sales	2	2	1	—
Exploration Plans	22	53	31	30
Development Plans	<u>1</u>	<u>7</u>	<u>5</u>	<u>4</u>
Totals	53	106	67	92

As a result of the Santa Maria Basin discoveries and increased leasing activities, major new onshore and offshore facilities and plans of exploration and development must be reviewed by the commission for conformity with Coastal Act policies. Furthermore, as coastal energy development intensifies, the balancing of energy development with competing economic activities and the structuring of mitigation measures to offset the cumulative impact of the development becomes more difficult and time consuming.

On the other hand, the number of permit and consistency review applications submitted to the commission is an imperfect indicator of the actual energy workload of the commission because some projects require very little staff time and others require a great deal. Some OCS exploration and development plans have very little direct impact on the coastal zone. Furthermore, many proposed facilities with the most direct impact on the coastal zone, such as marine terminals, onshore processing plants, and platforms in state waters, will be subject to detailed scrutiny by local governments, such as Santa Barbara County, and in some instances the State Lands Commission. Onshore facilities and projects proposed for state waters are also subject to the environmental impact review requirements

CALIFORNIA COASTAL COMMISSION—Continued

of the California Environmental Quality Act (CEQA). Therefore, it is not clear how much original work the commission will have to do on energy permit and consistency review matters.

In addition, a number of recent events could reduce the commission's energy workload. As this *Analysis* was being prepared, the Department of the Interior indefinitely postponed Lease Sale 80, previously scheduled for February 1984. At the same time, the U.S. Supreme Court ruled, in *Secretary of the Interior v. California* that the sale of leases on the OCS by the Interior Department is not an activity "directly affecting" the coastal zone and, therefore, is not subject to the commission's consistency review authority.

Similarly, the scope of the commission's review of OCS exploration and development plans is the subject of dispute between the Interior Department and the commission. The commission takes an inclusive approach to its consistency review authority for OCS exploration and development plans, while the Interior Department contends that federal law allows for only a more limited review.

Given the current uncertainty regarding the commission's energy planning and regulation workload, we recommend that the commission prepare, prior to budget hearings, an updated estimate of staff needs for its coastal energy program in the budget year. This estimate should explain in detail (1) how the 7.0 personnel-years proposed in the budget will be used, (2) what, if any energy work cannot be accomplished without additional staff, and (3) whether redirection of positions from other programs is possible to perform any of the required energy work.

Local Coastal Programs

We recommend that the commission submit to the Legislature a schedule of projected land use plan and local coastal program (LCP) completions for each segment of the coastal zone. We further recommend that, on the basis of this schedule, the Legislature (1) establish new LCP completion deadlines, (2) require the commission to complete an LCP for any local government that does not meet the new deadlines, (3) relieve the state of financial responsibility for any costs incurred by local governments for LCP preparation after the new deadline, (4) prohibit the expenditure of State Coastal Conservancy funds, after the new deadline, in any segment of the coastal zone for which the commission has not certified an LCP, and (5) allow local governments to take over LCP implementation at any time, subject to commission approval.

The Coastal Act of 1976 requires each of the 67 cities and counties along the California coast to prepare a local coastal program (LCP) for the portion of their jurisdiction within the coastal zone. The purpose of the LCPs is to conform local land use plans and implementing ordinances with the policies of the Coastal Act. An LCP consists of a land use plan (LUP) and any ordinance or other actions necessary to implement the LUP. Most local governments prepare these in two distinct phases, although they may be prepared and submitted simultaneously as a total LCP.

Until an LCP has been certified, virtually all development within the coastal zone requires a coastal permit from the commission as well as a local permit from the city or county in which the development takes place.

LCP Certification. Each LCP must be submitted to the commission for review and certification that it conforms with the policies of the Coastal Act. The LCP does not become final until both the LUP and the implementing ordinances have been provisionally certified by the commission, formally adopted by the local government, then "effectively certified" by the commission.

Following final commission certification of an LCP, the commission's regulatory authority over most types of development devolves to the local government, subject to limited appeal to the commission.

Missed Deadlines. The Coastal Act originally established January 1, 1980, as the deadline for local government submission of LCPs to the commission, and January 1, 1981, as the deadline for commission review and certification of LCPs. These deadlines, however, proved unrealistic and have been extended twice by statute.

The most recent deadlines were established by Ch 1173/81, which required local governments to submit their LUPs to the commission by January 1, 1983, and zoning ordinances and other necessary implementing actions—the second phase of the LCP—by January 1, 1984. Chapter 1173 also provided that the commission must act upon LUP submittals within 90 days of receipt and act upon implementing ordinances within 60 days of receipt. In addition Chapter 1173 established an interim procedure that gives local governments with approved LUPs coastal permit authority, subject to appeal to the commission.

Current LCP Status. The Coastal Act allows cities and counties to divide their jurisdictions into geographic segments when preparing their LCPs. Many local governments have taken advantage of this option, and for that reason, there are 121 LCP segments, even though there are only 67 local governments within the coastal zone. Table 4, summarizes the status, as of January 1, 1984, of both the LUP and zoning ordinance portions of the 121 LCP segments.

Table 4
California Coastal Commission
Local Coastal Program Status
January 1, 1984

	<i>Land Use Plans</i>	<i>Local Coastal Programs</i>
Not submitted or commission action pending	23	73
Denied or modification required ^a	33	21
Subtotal, segments requiring further action	56	94
Effectively certified	65	27
Total Segments	121	121

^a The commission can certify an LUP or LCP, contingent upon local government adoption of commission-suggested modifications.

As Table 4 illustrates, only 65, or 54 percent, of the 121 LUPs have been certified by the commission and the commission has not taken any action on 23 LUPs. Thus, one year after the statutory deadline for LUP submittal and nine months after the deadline for certification, 56 of the 121 segments do not have a certified LUP.

Similarly, as Table 4 shows, only 27, or 22 percent, of the 121 LCP segments have received effective certification from the commission. Local

CALIFORNIA COASTAL COMMISSION—Continued

governments now are issuing coastal development permits for these segments, plus an additional eight segments for which an LUP has been approved and the local government has assumed interim permit authority under the terms of Ch 1173/81. Thus, as of the deadline for LCP submittal, over 75 percent of the LCPs had yet to be certified.

Causes of Delay. Among the reasons for the failure to meet legislatively established LCP deadlines, the following appear to be the most significant:

- **New and Complex Planning Issues.** The Coastal Act requires local governments to deal with complex coastal resource issues in a comprehensive manner. The difficulty presented by this requirement and many local governments' lack of familiarity with coastal resource planning issues have combined to slow the pace of LCP preparation, particularly in the years immediately following passage of the Coastal Act.
- **Difficulty in Reaching a Consensus.** The Coastal Act requires resolution of many difficult and controversial land use and development issues in the LCP. Thus, local governments are called upon to decide issues for which no consensus may exist within the community. Decisions on many of the most controversial of these issues have been deferred, which has delayed completion of LCPs.
- **Conflict Between Local and State Interests.** The LCP process requires local governments to address controversial coastal resource planning issues from a statewide as well as local perspective. This requirement adds additional complexity and controversy to the task of local governments in formulating LCPs.
- **Political Disincentives.** The Coastal Act returns permit and planning controls to local government upon full approval of an LCP. Some local governments may not view this as a positive incentive, however, because this authority carries with it the responsibility for making difficult decisions on controversial coastal planning issues. If there is no approved LCP, these decisions can be left to the coastal commission.

Lack of Sanctions. Regardless of the underlying causes of delay, the initiative for LCP preparation lies with local governments and the Coastal Act provides no meaningful sanctions for failure to comply with the LCP deadlines.

There is no cutoff date for the availability of funds for LCP preparation. Although federal CZMA funds are not available to reimburse local governments for LCP preparation costs after January 1, 1984, there is a continuing state obligation to pay for these costs, since LCP preparation costs are state mandated under existing law and, therefore, reimbursable, regardless of when incurred. Currently, the Coastal Act's only provision regarding late LCPs is one that allows the commission to waive its 60-day deadline for action on LCPs submitted after January 1, 1984.

Given the repeated failure of local governments to complete their LCPs within legislatively established deadlines and the lack of sanctions for failure to comply with these deadlines, we recommend that:

1. The Coastal Commission prepare and submit to the Legislature prior to budget hearings, a realistic schedule of LUP and LCP completion dates for each segment of the coastal zone, based on the commission's assessment of each local government's current status and progress, and

2. The Legislature enact legislation to do the following:
 - a. Establish new LCP deadlines, based on the schedule prepared by the commission.
 - b. Make the commission responsible for completing and implementing LCPs for all segments of the coastal zone that do not have certified LCPs by the new deadline.
 - c. Remove the existing mandate for LCP preparation by local governments after the new deadline.
 - d. Prohibit the expenditure of State Coastal Conservancy funds, after the new deadline, in any segment of the coastal zone for which the commission has not certified an LCP.
 - e. Allow local governments to take over LCP implementation at any time, subject to commission approval.

Coastal Management Program

We recommend that prior to budget hearings, the commission report to the Legislature on its estimate of staff needed for its coastal management program in the budget year, and the workload standards used to derive its estimate.

The Coastal Management program is responsible for the commission's LCP and coastal development permit activities. As more LCPs are completed and coastal permit authority is returned to local governments, the commission's workload is reduced due to a decline in (1) LCP review and certification, (2) staff assistance to local governments in LCP preparation, and (3) commission regulation of new coastal development. In the current year, 14.9 positions were reduced from the coastal management program as a result of the commission's 1982 estimate of the number of LCPs to be completed in 1983-84.

As we discussed above, progress in completing LCPs has not lived up to expectations. As Table 5 shows, the commission consistently has overestimated the number of LCPs to be completed in the succeeding fiscal year. As a result of the commission's overly optimistic projection of LCP completions, the staff reductions in the Coastal Management program made in the current year appear premature.

Table 5
California Coastal Commission
Local Coastal Programs
Comparison of Estimated with Actual Completions
1980-81 through 1983-84

	<i>Projected Previous August</i>	<i>Actual</i>	<i>Overestimate</i>
1980-81	52	6	46
1981-82	35	8	27
1982-83	59	4	55
1983-84	35	15	20

Redirections Subtracted from Budget Year Base. In addition to the current-year reductions resulting from an overly optimistic projection of LCP completions, the commission has redirected 8.6 personnel-years from its coastal management program to support its coastal energy program. The 1984-85 budget proposes to continue this reduced staff level.

CALIFORNIA COASTAL COMMISSION—Continued

At the present time, we have no basis on which we can determine the precise number of personnel-years needed to accomplish the commission's LCP and coastal development permit responsibilities in the budget year. Nevertheless, we question the adequacy of the 107.9 personnel-years proposed for this purpose in the budget. Accordingly, we recommend that the commission report to the Legislature, prior to budget hearings, on its estimate of the staff needed for its coastal management program and the workload standards used to derive that estimate.

Local Assistance and Legislative Mandates

We defer recommendation on Item 3720-101-001—\$280,000 for LCP development grants to local governments—pending clarification by the commission of how much will be needed to fund local governments' coastal-related costs in 1984-85.

The budget proposes an appropriation of \$280,000 from the General Fund for coastal planning assistance to local governments. This is the same amount appropriated for this purpose in the current year.

LCP Grants. In past years, most costs incurred by local governments in preparing LCPs were funded with federal grants provided by the Office of Ocean and Coastal Resource Management (OOCRM), pursuant to the Coastal Zone Management Act (CZMA). These federal funds were supplemented with state funds equal to 25 percent of the CZMA grant. The commission administers this grant program by contracting with local governments. This enables the commission to assure that work is performed in a satisfactory manner and that no unnecessary or duplicative work is undertaken by the local government.

The commission currently has a CZMA grant extending through June 30, 1984. The OOCRM, however, has prohibited the use of CZMA funds for LCP preparation after January 1, 1984, because that date is the state's statutory deadline for LCP completion.

Legislative Mandates. Local governments also may claim reimbursement from the state for any mandated LCP preparation and implementation costs that are not covered by the LCP grants. These claims for mandated costs are reviewed by commission staff, and recommendations for reimbursement are made by the Executive Director to the State Controller. Appropriations of \$400,000 were made from the General Fund in each of the past three budget acts to cover these costs. An identical amount is proposed for 1984-85 in Item 9680, State Mandated Local Programs. Last year's funding level of \$400,000 was not adequate, however, and a deficiency appropriation of \$33,000 was made.

The 1983 Budget Act appropriated \$280,000 from the General Fund to the commission for local assistance. Of this amount, the commission has designated \$180,000 for LCP development contracts with local governments. The remaining \$100,000 is designated for implementation of LUPs in jurisdictions that have assumed interim permit authority following certification of their LUP, as provided by Ch 1178/81.

To date, a total of \$4.4 million in federal and state funds has been made available for LCP grants. Of the \$4.4 million available, \$2.5 million had been spent as of January 1, 1984. An additional \$390,000 is expected to be expended during the remainder of the current year, leaving an appropriated, but unexpended, balance of \$1.5 million on June 30, 1984. Only \$243,000 of the unexpended state funds will be available for carryover into

The commission has indicated that \$100,000 will be needed in the budget year for LUP implementation costs, pursuant to Ch 1173/81, leaving \$180,000 of the \$280,000 local assistance appropriation for LCP grants. Total funding proposed for new LCP contracts in the budget year is \$423,000, including the \$243,000 from carryover funds. The \$400,000 requested from the General Fund in Item 9680 brings the total funding proposed for all local government LCP costs in 1984-85 to \$823,000. The commission estimates that local LCP expenditures, including local mandate claims, will total \$1.33 million in the current year.

The commission has estimated that a minimum of \$975,000 in new LCP costs will be incurred in the budget year. Our analysis indicates, however, that actual LCP-related costs may be much greater. The commission's estimate is based on the assumption that all local governments will have completed the land use plan (LUP) portion of their LCPs by the beginning of the budget year. Since only 65 of the 121 LUPs were certified as of January 1, 1984, it seems highly optimistic to expect the remaining 56 LUPs to be completed in a period of only six months. Furthermore, since most of the costs of LCP development are incurred in the LUP phase, the \$975,000 estimated for 1984-85 appears to seriously understate the amount necessary for LCP costs in the budget year.

Given the large number of LCPs which have yet to be certified, the unavailability of federal funds for LCP-related work during the remainder of the current year and in the budget year, and the \$33,000 deficiency in last year's budget for legislative mandates, we doubt that the \$280,000 requested for LCP preparation grants and LUP implementation in Item 3720-101-001, together with the \$400,000 requested for legislative mandates in Item 9680, will come anywhere close to covering all reimbursable costs incurred for LCP preparation and implementation in the budget year. Therefore, we recommend that the commission clarify the adequacy of local assistance funding requested in the budget.

Resources Agency
STATE COASTAL CONSERVANCY

Item 3760 from the State
Coastal Conservancy Fund Budget p. R 117

Requested 1984-85	\$2,306,000
Estimated 1983-84	1,812,000
Actual 1982-83	1,637,000
Requested increase (excluding amount for salary increases) \$494,000 (+27.3 percent)	
Total recommended reduction	644,000

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

*Analysis
page*

- | | |
|---|-----|
| 1. Financial Discrepancies. Recommend that the Legislature direct the Auditor General to conduct a full-scale audit of the conservancy's financial records, practices, and compliance with state law as part of its annual financial audit. | 685 |
| 2. Deposit of Revenues. Recommend enactment of legislation to (a) formally establish the State Coastal Conservancy | 687 |

STATE COASTAL CONSERVANCY—Continued

- Fund, (b) clarify the conservancy's authority to deposit its revenues in the fund, and (c) establish separate accounts in the fund for the deposit of revenues received from projects financed from (i) the Parklands Fund of 1980, and (ii) the State, Urban, and Coastal Park Bond Act of 1976.
3. **Loan Policy.** Recommend that the conservancy report to the fiscal subcommittees at the time of hearings on its practice of lending funds that were appropriated by the Legislature for local assistance grants. 687
 4. **General Expenses. Reduce Item 3760-001-565 by \$22,000.** 688
Recommend reduction because the conservancy has not provided adequate justification for proposed increases in general expenses that exceed the Department of Finance guidelines.
 5. **Consultant Contracts. Reduce Item 3760-001-565 by \$188,000.** 688
Recommend reduction of \$188,000 requested for consultant contracts because the conservancy has not established a need for these funds or indicated how they would be used.
 6. **Loan to Financing Authority. Reduce Item 3760-001-565 by \$352,000.** 689
Recommend deletion of seven new positions and \$352,000 requested for a loan to the California Urban Waterfront Area Restoration Financing Authority because the authority has not requested the loan.
 7. **Storm-Damage Positions. Reduce Item 3760-001-565 by \$82,000.** 690
Recommend deletion of one-time funds and two limited-term positions because any remaining workload associated with storm damage grants can be absorbed within current staffing levels.

GENERAL PROGRAM STATEMENT

Chapter 1441, Statutes of 1976, established the State Coastal Conservancy in the Resources Agency. 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 the conservancy's governing board. The conservancy's geographic jurisdiction coincides with the coastal zone boundaries established by the California Coastal Commission, plus the San Francisco Bay and the Suisun Marsh.

The conservancy's governing board consists of the Chairperson of the Coastal Commission, the Secretary of the Resources Agency, the Director of Finance, and four public members. New legislation that took effect on January 1, 1984 (Ch 1264/83) established the California Urban Waterfront Area Restoration Financing Authority (CUWARFA). The statute requires the authority to use conservancy staff, among other resources, to carry out its duties.

The conservancy is headquartered in Oakland and has 37.8 authorized positions in the current year.

OVERVIEW OF THE BUDGET REQUEST

The budget proposes an appropriation of \$2,306,000 from the State Coastal Conservancy (Fund) for support of the State Coastal Conservancy (SCC) in 1984-85. This is an increase of \$494,000, or 27.3 percent, over estimated current-year support expenditures. The increase will grow by the cost of any salary or staff benefit increase approved for the budget year.

Most of the increase proposed for the budget year (\$352,000) would be used to fund seven new positions that are requested to handle workload associated with the start-up of the CUWARFA.

ANALYSIS AND RECOMMENDATIONS

Major Budget and Accounting Discrepancies Warrant a Complete Audit

We recommend that the Legislature direct the Auditor General to conduct a full-scale audit of the State Coastal Conservancy's financial accountability, practices, and compliance with state law as part of its annual financial audit.

The conservancy's budget for 1984-85 does not provide the Legislature with reliable information on the conservancy's revenues and expenditures. At the time this *Analysis* was prepared, for example, the conservancy was unable to reconstruct or verify basic accounting information needed to support its budget request.

Recommendations by the Department of Finance. During 1983, the Department of Finance issued two reports on the conservancy. The first, covering the conservancy's internal accounting controls, was issued in March 1983. The second, which evaluated the effectiveness of the conservancy's programs, was issued in September 1983. Our analysis indicates that the recommendations contained in these reports have considerable merit.

Lack of Usable Accounting Records. The Department of Finance's review of the conservancy's fiscal procedures concluded that:

"An almost complete lack of usable accounting records prevented SCC (the conservancy) from preparing and submitting its June 30, 1982 year-end financial statements without outside assistance. Also, SCC accounting employees did not maintain accounting information in sufficient detail to accurately support budgetary reports. As a result of our preparing the statements, we recommended that SCC (the conservancy) develop and maintain a formal system of accounting and reporting to comply with applicable state laws, regulations and procedures."

We find that serious problems with the conservancy's internal accounting controls continue to exist. For example, the conservancy has been keeping large sums of money received as project repayments in its general cash account on deposit with its local bank. This money is not included in the Treasurer's or Controller's records of fund balances. As of December 21, 1983, the conservancy had approximately \$450,000 in its local bank account.

As a result of the Department of Finance's report, the conservancy established three positions in 1982-83 to handle its accounting responsibilities. The conservancy is now requesting \$61,000 to fund an external auditor contract in 1984-85.

Program Ineffectiveness. The department's September report contains several major recommendations to improve the conservancy's effectiveness and accountability. These actions can be summarized as follows:

1. The conservancy should reconcile its project-by-project spending

STATE COASTAL CONSERVANCY—Continued

records with appropriations on a quarterly basis, in order to determine the amount still available from each appropriation.

2. The conservancy should adopt a clear loan policy including standardized loan terms and procedures. The conservancy has made loans in an ad hoc manner.

3. The conservancy should follow prudent procedures to ensure that only those projects that are likely to be viable are undertaken. This would give the conservancy needed control over urban waterfront projects.

4. The conservancy should take specified steps to expedite recovery of funds authorized and expended for conservancy lot consolidation projects and Santa Monica Mountains projects.

No Evidence of Adequate Follow-Up. It is not evident that the conservancy is taking the actions necessary to implement the recommendations made by the Department of Finance. Moreover, our analysis indicates that the conservancy's problems in accounting for its financial resources extend beyond the scope of the two Department of Finance reports.

Source of Funds. Since it first began operations in 1977-78, the conservancy has received appropriations totaling more than \$56,000,000 from various funding sources for support, local assistance, and capital outlay. The two major sources of the conservancy's funds have been the 1976 and 1980 Park Bond Acts.

Until 1981, the primary source of the conservancy's funds was the State, Urban, and Coastal Park Bond Act of 1976. The act allocated \$10,000,000 for appropriation by the Legislature to the State Coastal Conservancy (Fund). Of the \$10,000,000 allocated to the conservancy, \$3,000,000 was appropriated for support and has been fully expended. The remaining \$7,000,000 was appropriated in a lump sum to the conservancy by the 1978 Budget Act, Item 520.1, for capital outlay purposes.

Expenditures Exceed Amount Appropriated. In each fiscal year since 1978-79, the conservancy has requested a reappropriation of the unencumbered balance of the funds remaining from the original 1978 Budget Act appropriation of 1976 park bond funds. According to the Budget, total capital outlay expenditures from these funds by the end of 1984-85 will be \$8,767,000. *This amount exceeds the \$7,000,000 deposited in the fund from the 1976 Park Bond Act by \$1,767,000.* Presumably, the excess is being funded from another source, such as revenues deposited in the State Coastal Conservancy (Fund). These revenues, however, have never been appropriated by the Legislature, and it is not clear what authority the conservancy has to spend them.

Contradictory Fund Condition Statements. The balance in the State Coastal Conservancy (Fund) as of June 30, 1983, as shown in the Governor's Budget, differs from the balance shown in the Controller's Annual Report. This difference, moreover, is considerable. The budget shows an actual fund balance at the end of 1982-83 of \$3,242,000. The Controller reports, however, that the fund balance as of June 30, 1983, was \$1,922,248, or \$1,319,753 less than what the budget shows. Consequently, it is not clear how much money is available for appropriation by the Legislature.

Full-Scale Audit Needed. For the reasons presented above, the Legislature does not have reliable fiscal information on the State Coastal Conservancy. This seriously limits the Legislature's ability to either control or oversee the conservancy's operations.

In view of the problems identified by both our analysis and those con-

ducted by the Department of Finance, we conclude that a full-scale financial audit is needed to accurately determine the status of funds that have been appropriated to the conservancy by the Legislature. Accordingly, we recommend that the Legislature direct the Auditor General to conduct such an audit as part of its annual financial audit report.

Deposit of Revenue in the State Coastal Conservancy (Fund)

We recommend enactment of legislation to (1) formally establish the State Coastal Conservancy Fund, (2) clarify the conservancy's authority to deposit its revenues in the fund, and (3) establish separate accounts in the fund for the deposit of revenue received from projects financed from (a) the Parklands Bond Fund of 1980 and (b) the State, Urban, and Coastal Park Bond Act of 1976.

Most of the discrepancies in the conservancy's budget and financial reports involve revenues to and expenditures from the State Coastal Conservancy (Fund). The "State Coastal Conservancy (Fund)" was referred to by the 1976 Park Bond Act, but it has not been formally established.

A major factor contributing to the discrepancies in the conservancy's records is the conservancy's practice of co-mingling all of its revenue and 1976 park bond funds in the State Coastal Conservancy (Fund). This co-mingling of funds has resulted in confusion and has obscured the original appropriation authority and funding sources for expenditures by the conservancy. This is especially true with regard to revenues from projects that originally were funded with bond monies. These recycled bond funds should be identified and kept separate from other funds, in order to insure that (1) the Legislature has control over how these funds are used and (2) the conditions governing the use of funds set forth in the bond acts are met.

An illustration of the confusing state of affairs that now exists is provided by the status of some \$3.2 million in conservancy expenditures. The conservancy reports that the Department of Finance has authorized the expenditure of \$3,173,000 in conservancy revenues and reimbursements. The expenditure of about one-half of these funds, or \$1,350,000, was authorized pursuant to Section 28 of the annual budget acts. These expenditures were financed by federal funds received by the California Coastal Commission and provided to the conservancy. *The conservancy, however, has been unable to identify the sources of and expenditure authority for the remaining \$1,627,000 of revenues.*

In order to put the conservancy in a position where the Legislature can hold it accountable for the money it spends, we recommend that legislation be enacted to (1) formally establish the State Coastal Conservancy Fund, (2) clarify the conservancy's authority to deposit its revenues in the fund, and (3) create separate accounts within the conservancy fund in order to segregate revenues according to the original source of the money and the appropriate use of the revenues.

Report Needed on Conservancy Loan Policy

We recommend that the conservancy report to the fiscal subcommittees at the time of budget hearings on its practice of lending funds that have been appropriated by the Legislature for local assistance grants.

The budget requests reappropriation of 1980 bond funds originally appropriated to the conservancy for *grants* to local governments. The conservancy, on its own, has adopted the policy of making its grants from the 1980 and 1976 park bond funds repayable—in effect, making them loans.

STATE COASTAL CONSERVANCY—Continued

Requests submitted to the Legislature for local assistance funds to be used in making grants have contained no information setting forth the precise terms of the conservancy's policy of requiring repayment of grants.

Our analysis indicates that the conservancy has no firm policy regarding loan terms. Instead, it sets the terms of its loans on a case-by-case basis, depending on the particular project to be financed and the revenues that it might generate.

We tend to believe that it is appropriate for the conservancy to make loans, rather than grants, when repayment is feasible. The Department of Finance apparently agrees. In its September 1983 report, the department recommended that the conservancy adopt a policy of making loans, rather than grants, only for projects that are expected to generate sufficient income to pay back the loan (with interest) within the economic life of the assets financed.

Whatever the conservancy's policy, however, the Legislature should have an opportunity to review and approve or reject it. Therefore, we recommend that, during budget hearings, the conservancy report to the fiscal subcommittees on its lending practices. This report should address, at a minimum, the following points: (1) the procedures used to determine a project's feasibility and revenue-generating potential, (2) the criteria used for determining whether to loan or grant funds, (3) the efforts made by the conservancy, to date, to implement the Department of Finance recommendation that the interest rate and pay-back period be standardized, and (4) the methods used to project revenue from project repayments.

Increase in General Expenses Has Not Been Justified

We recommend a reduction of \$22,000 in Item 3760-001-565 because the proposed increases requested for operating expenses have not been justified.

The budget proposes \$70,000 for general expenses in 1984-85, an increase of \$25,000 over estimated current-year expenditures in that category. The guidelines for general price increases promulgated by the Department of Finance limit these increases to 6 percent in 1984-85. No information substantiating the need to depart from that guideline has been provided to the Legislature. We conclude that the increase for general expenses should be limited to 6 percent, or \$3,000. We recommend, therefore, that the Legislature reduce Item 3760-001-565 by \$22,000 to delete overbudgeted funds for operating expenses.

Request for Contract Funds Unjustified

We recommend deletion of \$188,000 requested for consultant contracts because the conservancy has not established a need for these funds or indicated how all of the funds would be used.

The budget proposes \$188,000 for external consultant contracts in 1984-85.

Of the amount proposed for consultant services, no spending plan has been presented for \$127,000. Accordingly, we recommend that this amount be deleted.

The balance of the funds—\$61,000—would be used to hire an external auditor. It is not clear from the budget request, however, whether the external auditor would (1) conduct audits of the grantees and contractor

records, (2) assist the conservancy's own accounting staff, or (3) perform contract management functions that are the responsibility of current staff. The conservancy has its own three-person accounting staff. We believe that this number of positions is adequate for the conservancy to meet its ongoing responsibilities in the areas of accounting and fiscal control. Hence, we cannot recommend approval of funds to supplement this staff. Further, while we agree that a full-scale independent audit of the conservancy's books is needed, we believe this audit should be undertaken by the Legislature's Auditor General, rather than by a consultant retained by the conservancy itself. Thus, we cannot, given the information provided by the conservancy, establish a need for the balance of the conservancy's request. Accordingly, we recommend the deletion of the \$61,000 requested for consultant contracts, as well.

While the conservancy clearly needs to improve its accounting, a specific clear-cut objective should be identified for any external contract before additional funds for such a contract are provided. This would help insure that outside accountants or auditors are used effectively. If the conservancy presents additional information in support of its request, we will analyze it and advise the Legislature if any change in our recommendation appears to be warranted.

Loan to the Urban Waterfront Restoration Financing Authority

We recommend a reduction of \$352,000 and seven positions proposed to assist the Urban Waterfront Restoration Financing Authority because the authority has not requested this help or agreed to repay the conservancy for the cost of these positions.

The budget requests \$352,000 from the State Coastal Conservancy (Fund) for a loan to the California Urban Waterfront Area Restoration Financing Authority (CUWARFA). The authority would use these funds to support seven new positions on the *conservancy's* staff. The conservancy indicates that these positions will be needed to provide staffing to the authority, pursuant to Ch 1264/83.

Background. Legislation enacted in 1981 authorized the State Coastal Conservancy to carry out an urban waterfront restoration program. Chapter 1264, Statutes of 1983, established the CUWARFA and authorized it to sell tax-exempt revenue bonds as a means of financing this program. At the time this *Analysis* was prepared, the authority—consisting of the Director of Finance, the Controller, the Treasurer (Chairman), the Secretary of the Resources Agency, and the conservancy's Executive Director—had not held its first meeting nor had it appointed an executive director.

The authority may issue up to \$650 million of revenue bonds to finance coastal and inland urban waterfront restoration projects. To be eligible for support, projects must be located completely or partly within the coastal zone, or must be within specified inland waterfront areas. Eligible inland projects may be located within the Sacramento-Yolo Port District, the Stockton Port District, or on a river, lake, or reservoir located within a standard metropolitan statistical area. Of the \$650 million in revenue bond sales authorized by Chapter 1264, \$50 million is reserved for the inland projects.

Projects may include commercial visitor facilities, waterfront-dependent industry, public utility systems, mass transit, public recreation, shoreline access, and related facilities. The proceeds from bond sales may be advanced to both public and private entities, and can cover the cost of

STATE COASTAL CONSERVANCY—Continued

land acquisition, design, and construction of the projects.

Chapter 1264 also established the California Urban Waterfront Area Restoration Financing Authority Fund. All of the bond proceeds and other monies in this fund are continuously appropriated to the authority. The legislation permits the authority to borrow from the General Fund to cover its initial start-up costs until revenues from financed projects or the proceeds from bond sales are available and the authority can support itself. Any loans to the authority must be repaid, with interest, within a reasonable time after bond proceeds or project revenues are received.

No Basis for a Loan to Authority. The budget requests \$352,000 from the State Coastal Conservancy (Fund) for seven positions to implement the bond program. Specifically, the new positions would (1) assist local agencies in identifying eligible urban waterfront restoration projects, (2) prepare applications, including environmental documents and restoration plans, (3) undertake land acquisition activities, and (4) provide legal services, as well as a variety of other project development and implementation services.

The budget requests \$352,000 from the State Coastal Conservancy (Fund) as a start-up loan to the authority. The authority would then use these funds to reimburse the conservancy for the cost of employing staff to help initiate the program. At the time this analysis was prepared, however, the authority had not requested a loan from the conservancy. In addition, the conservancy has no explicit authority to make this loan under existing law. On this basis, we recommend the deletion of \$352,000 requested from the State Coastal Conservancy (Fund) for a loan to the Urban Waterfront Area Restoration Financing Authority. If the *authority* requests a loan for 1984–85 to cover its initial administrative needs, we will provide the fiscal subcommittees with a revised analysis of the request.

Extension of One-Time Funds for Storm-Damage Positions Unjustified

We recommend a reduction of \$82,000 and two limited-term positions requested to administer storm damage grants because the workload can be absorbed by the current staff.

The budget proposes \$82,000 to extend for an additional year two limited-term positions that are due to expire June 30, 1984. These positions were authorized in the 1983 Budget Act in conjunction with Budget Act language directing the conservancy to place a high priority on restoring piers damaged by the 1982–83 storms, using capital outlay monies appropriated from the State Coastal Conservancy (Fund) and the Parklands Fund of 1980.

In the four-month period January through April 1984, the conservancy expects to select projects and execute contracts providing almost \$2.4 million for storm damage grants.

Our analysis indicates that any remaining workload associated with grants made in the current year should be relatively minor in 1984–85. The conservancy indicates that “the bulk of the work anticipated is in regard to administering the executed contracts through completion of the construction process.” This work, however, should require far less staff time than the initial evaluations and project selection entailed in the current year.

Because our review of the conservancy’s workload indicates that any carryover work related to the 1983–84 storm-damage grants could be ab-

sorbed by staff assigned to the conservancy's ongoing urban waterfront restoration program, we recommend a reduction of \$82,000 in Item 3760-001-565 to eliminate funding for two limited-term positions.

STATE COASTAL CONSERVANCY—REAPPROPRIATION

Item 3760-490 from the State
Coastal Conservancy Fund

Budget p. R 117

ANALYSIS AND RECOMMENDATIONS

We recommend that the Legislature eliminate the proposed reappropriation from the State Coastal Conservancy (Fund) in Item 3760-490 because (1) all of the money appropriated to the conservancy from the 1976 park bond fund has been expended and (2) an appropriation of other monies in the fund has never been authorized and, therefore, cannot be reappropriated.

The conservancy requests a reappropriation from the State Coastal Conservancy (Fund) as follows:

1. Item 520.1, Budget Act of 1978. For Capital Outlay.

The budget shows reappropriations from the State Coastal Conservancy (Fund) in the current year of \$1,647,000 for capital outlay. Of this amount, the conservancy reports that \$824,000, or about one-half, will be encumbered during 1983-84. According to the budget, this leaves \$823,000 in State Coastal Conservancy funds to be reappropriated for capital outlay in 1984-85.

The proposed reappropriation from the State Coastal Conservancy (Fund) is inappropriate and should not be approved. The amount to be reappropriated supposedly is the unencumbered balance available from the 1978 Budget Act, Item 520.1. That item appropriated \$7,000,000 from the 1976 Park Bond Act to the conservancy for capital outlay. Our analysis indicates, however, that *all of the funds originally appropriated have been spent*. Accordingly, we recommend that this reappropriation be denied.

It is possible that there is \$823,000 available in the State Coastal Conservancy (Fund) that has not been encumbered. If so, however, these funds must represent revenue received by the conservancy. Expenditure of these revenues requires a new appropriation; the funds cannot be reappropriated. Moreover, the Legislature should know the sources and amount of revenues available for appropriation from the State Coastal Conservancy (Fund), and the conservancy should identify and justify the proposed expenditures.

We withhold recommendation on reappropriations requested in Item 3760-490 from the Parklands Fund of 1980 for capital outlay and local assistance funds, pending receipt of accurate information on the amounts of funds available and documentation of the need for additional projects in 1984-85.

The conservancy requests three reappropriations from the Parklands Fund of 1980 as follows:

1. Item 3760-101-721, Budget Act of 1981. For local assistance.
2. Item 3760-301-721, Budget Act of 1981. For capital outlay.
3. Item 3760-101-721, Budget Act of 1982. For local assistance.

According to the budget, the conservancy received reappropriations

STATE COASTAL CONSERVANCY—REAPPROPRIATION—Continued

totaling \$15,642,000 from the 1980 park bond fund in the current year, consisting of \$12,602,000 for local assistance, and \$3,040,000 for capital outlay. Of the total amount reappropriated, the conservancy estimates that approximately one-half will be encumbered during 1983-84, leaving \$7,821,000 in Parklands monies to be reappropriated for local assistance and capital outlay in 1984-85.

Budget Flexibility Limits Legislative Control

In our *Analysis of the 1983 Budget Bill*, we noted that the conservancy has sought and received from the Legislature, unusual flexibility with respect to the use of its local assistance and capital outlay funds. This flexibility has taken the form of lump-sum appropriations, the absence of project identification or scheduling in Budget Acts, and authorizations to spend money for both grants and capital outlay projects from the same appropriation.

We continue to believe that this unique budget flexibility limits the Legislature's ability to evaluate the merits of the conservancy's budget request and to control the manner in which the conservancy uses its funds.

Our analysis indicates that the conservancy's request for 1984-85 lacks any logical direct relationship to the progress or content of its local assistance and capital outlay programs. This continues the historical pattern of the conservancy requesting amounts for grants and capital outlay funding based on the total amount of funds *available* to it from the 1976 and 1980 Bond Acts, rather than on a realistic schedule of project activities and annual grant disbursements. This is the very kind of "revenue budgeting" decried by the Governor in this year's budget document (page 9).

Appropriations Far Exceed Expenditures

The reappropriations requested in 1984-85 would make the entire unencumbered balances of 1980 park bond monies available to the conservancy. Because of the conservancy's slow progress in funding suitable projects, the amounts appropriated to the conservancy in the past have far exceeded what it needs or can use effectively in a given fiscal year. During 1982-83, the conservancy spent \$12,068,000 of the \$29,468,000 appropriated or reappropriated to it from various sources for capital outlay or local assistance. By the middle of the current fiscal year, the conservancy had encumbered only \$1,765,000 of the \$14,956,000 that we estimate is available to it for local assistance or capital outlay.

The September 1983 report issued by the Department of Finance stated that as of March 1, 1983, the conservancy's governing Board had authorized approximately \$29 million for expenditure since the conservancy's inception, of which about \$9 million had actually been spent. According to this report, "the low level of expenditures relative to authorizations reflects normal lead time in some cases, delays in others."

Use of Reappropriated Funds Unclear

The conservancy has provided only a general summary of how it will spend the requested reappropriations in 1984-85. The conservancy's projected *capital outlay* activities include the following: (1) preservation of agricultural lands in areas along the coast, such as Point St. George in Del Norte County and Morro Valley in San Luis Obispo County, (2) restoration and lot consolidation in areas with poor lot layouts and unfavorable development patterns in locations such as Half Moon Bay in San Mateo

County and Cambria in San Luis Obispo County, and (3) continued funding of stream and watershed restoration in areas such as San Diego and Humboldt Counties. Corresponding dollar amounts for these activities were not provided, and therefore the Legislature has only a vague sense of how the conservancy intends to use the reappropriated funds.

The Conservancy proposes to use *local assistance funds* in 1984-85 for coastal access, resource enhancement, and urban waterfronts projects. The conservancy has not provided the Legislature with information that would allow it to determine (1) that the funds will be allocated among these uses in a logical manner and (2) that the proposed expenditures have merit. Even if this information were available, it would be of little value. The Budget Bill does not identify program elements or schedule projects, and consequently, the conservancy can spend reappropriated funds for purposes other than those presented above.

Given these considerations as well as the serious problems that have been found in the conservancy's management of its financial resources, we withhold recommendation on those reappropriations requested from the 1980 park bond fund pending receipt of (1) information on the availability of unencumbered monies in the Parklands Fund of 1980, (2) justification for the reappropriations, (3) the amounts that could realistically be expended in 1984-85 for the conservancy's programs, (4) identification of projects anticipated for 1984-85, and (5) the conservancy's progress completing existing projects.

Resources Agency DEPARTMENT OF PARKS AND RECREATION

Item 3790 from the General
Fund and various funds

Budget p. R 122

Requested 1984-85	\$100,056,000
Estimated 1983-84.....	125,605,000
Actual 1982-83	114,235,000
Requested decrease (excluding amount for salary increases) \$25,549,000 (-20.3 percent)	
Total recommended reduction	1,905,000
Recommendation pending	29,303,000

1984-85 FUNDING BY ITEM AND SOURCE

Item	Description	Fund	Amount
3790-001-001—Support		General	\$62,711,000
3790-001-263—Support		Off-Highway Vehicle	4,068,000
3790-001-392—Support		State Parks and Recreation	30,803,000
3790-001-516—Support		Harbors and Watercraft Re- volving	280,000
3790-001-890—Support		Federal Trust	(1,514,000)
3790-011-062—Revenue Transfer for Maintenance of Park Roads		Highway Users Tax Ac- count, Transportation Tax	(1,500,000)
3790-101-721—Local Assistance Grants		1980 Parklands Bond	1,901,000
3790-101-733—Local Assistance Grants		1974 State Beach, Park, Recreational and Historical Facilities Bond	98,000
3790-101-742—Local Assistance Grants		1976 State, Urban, and Coastal Park Bond	195,000
Total			\$100,056,000

DEPARTMENT OF PARKS AND RECREATION—Continued**SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS**Analysis
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|---|-----|
| 1. Appropriated Revenues. Withhold recommendation on \$29,303,000 requested in Item 3790-001-392, pending receipt of information from the department demonstrating that its revenue goal is achievable. Further recommend that department report to subcommittees prior to budget hearings on (a) the current status of revenues, expenditures, and park visitor services, (b) the steps that the department will take to achieve its 1984-85 revenue goal, and (c) the program cutbacks proposed in the event revenue goal is not met. | 699 |
| 2. Appropriated Revenues. Recommend that during budget hearings, the department present an analysis of alternatives to the appropriated revenue approach currently used to finance increased operating costs of the state park system. | 703 |
| 3. Disposition of State Park Revenues. Recommend deletion of proposed budget language because recent legislation enacted the language on a permanent basis. | 705 |
| 4. Operating Requirements. Recommend department report to subcommittees prior to budget hearings on how it intends to fund the increased operating and maintenance requirements of capital outlay projects to be completed in the current and budget years. Further recommend adoption of supplemental report language requiring department to submit estimates of future operating requirements for each capital outlay project for which funding is requested in the department's capital outlay budget. | 705 |
| 5. Properties Transferred from General Services. Withhold recommendation on \$1,308,000 requested in Item 3790-001-392 for property management purposes, pending receipt of information showing how and where the money will be used. Recommend further that department explain to subcommittees at time of budget hearings why it has not provided quarterly progress reports on properties transferred from General Services, as required by supplemental report language. | 706 |
| 6. <i>Operating Expenses. Reduce Item 3790-001-001 by \$194,000 and Item 3790-001-392 by \$712,000.</i> Delete \$906,000 requested for operating expenses and equipment, because (a) the department has not justified the need for these additional expenditures and (b) an 11 percent increase should be adequate to meet the department's needs. | 709 |
| 7. <i>Operating Expenses Savings Associated with Position Reductions. Reduce Item 3790-001-001 by \$68,000, reimbursements by \$533,000, Item 3790-001-392 by \$249,000, and Item 3790-001-890 by \$112,000.</i> Delete \$962,000 requested for | 709 |

- operating expenditures to reflect savings associated with 85 personnel-year reduction.
8. **Position Reductions. Reduce Item 3790-001-001 by \$8,000, reimbursements by \$59,000, Item 3790-001-392 by \$32,000, and Item 3790-001-890 by \$22,000. Delete \$121,000 to correct for overbudgeting.** 709
 9. **Local Assistance Grant Projects. Reduce Item 3790-101-742 (1976 Park Bond Fund) by \$177,000. Augment Item 3790-001-890 (Federal Trust Fund) by the same amount. Exchange funding sources for savings associated with position reductions in local assistance review office because budget incorrectly shows savings to Federal Trust Fund for bond-funded positions.** 710
 10. **New Positions. Reduce Item 3790-001-392 by \$188,000. Delete \$188,000 and 6.2 new positions because (a) delays in project completions have postponed the need for certain positions and (b) the department has not justified need for certain other positions.** 710
 11. **Harbors and Watercraft Revolving Fund. Augment Item 3790-001-516 by \$571,000 and reduce Item 3790-001-001 by the same amount, for a General Fund savings of \$571,000. Recommend department's appropriation from the Harbors and Watercraft Revolving Fund be augmented by \$571,000 to compensate for inflation since the funding level that is the basis for the current formula was set. Further recommend that department's General Fund appropriation be reduced by corresponding amount.** 712
 12. **State Park Reservoirs and Lakes. Reduce Item 3790-001-001 by \$1,230,000 and augment Item 3790-001-516 by an equal amount. Transfer funding responsibility for programs serving boaters at state park reservoirs and lakes to the Harbors and Watercraft Revolving Fund, to eliminate the General Fund subsidy for these programs.** 713
 13. **Consulting Services. Reduce Item 3790-001-001 by \$126,000. Delete \$126,000 to eliminate contingency budgeting for consulting services.** 714
 14. **Data Processing Services. Reduce Item 3790-001-001 by \$130,000 and Item 3790-001-392 by \$64,000. Delete \$194,000 because department consistently has overestimated its data processing needs.** 714
 15. **Concession Contracts. Recommend:** 715
 - a. Adoption of supplemental report language describing scope and terms of each concession contract approved.
 - b. Subcommittees direct department to provide listings of (i) concession contracts at state park units managed by local agencies and (ii) concession contracts entered into during 1982-83 and the current year.
 - c. Approval of proposed concession at Morro Bay State Park without a renewal option. Withhold recommendation on parking lot concession at Old Town San Diego State Historic Park. Recommend disapproval of concession at Old Sacramento State Historic Park.
 - d. Department report to subcommittees prior to budget hearings on its plans for all concession contracts expir-

DEPARTMENT OF PARKS AND RECREATION—Continued

- ing on or before December 31, 1985.
16. Concessions. Recommend enactment of legislation to 719
 (a) increase the threshold for legislative review of concessions from \$100,000 to \$250,000 of annual gross sales, and
 (b) strengthen reporting requirements for department's annual concessions statement.
17. Operating Agreements. Recommend department report to subcommittees prior to budget hearings on its plans for all existing operating agreements that expire on or before December 31, 1985. 720

GENERAL PROGRAM STATEMENT

The Department of Parks and Recreation 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 (1) the nine-member California State Park and Recreation Commission or (2) the new seven-member Off-Highway Vehicle Recreation Commission (which was created by Ch 994/82). The new commission is responsible for establishing general policies for the guidance of the department in the planning, development, operation, and administration of the State Vehicular Recreation Area and Trail System.

In addition, the department administers state and federal grants to cities, counties, and special districts that are intended to help provide parks and open-space areas throughout the state. In recent years, emphasis has been given to acquisition and development of local and regional parks in urban areas.

The state park system consists of 277 units, including 37 units administered by local and regional park agencies. These units contain approximately 1.1 million acres with 244 miles of ocean and bay frontage and 675 miles of lake, reservoir, and river frontage. During 1984-85, up to 64 million visitations are anticipated at state parks and beaches operated by the department. In the same period, up to 44 million visitations are anticipated at state parks and beaches operated by local and regional park agencies.

In the current year, the department has 2,943 authorized personnel-years of staff.

OVERVIEW OF THE BUDGET REQUEST

The budget proposes five appropriations from the General Fund and various other state funding sources totaling \$97,862,000 for support of the Department of Parks and Recreation in 1984-85. This is an increase of \$6,063,000, or 6.6 percent, above estimated current-year costs. This increase will grow by the cost of any salary or staff benefit increases which may be approved by the Legislature for the budget year.

The budget also proposes three appropriations totaling \$2,194,000 from various state bond funds for local assistance grants in 1984-85. This is a decrease of \$31,612,000, or 94 percent, from current-year expenditures as estimated in the budget. The actual reduction, however, will not be this large, since the amount of expenditures shown in past budgets for the then-current year has been notoriously high. Consequently, it is likely that a large balance of unexpended grant funds will be carried over from the current year and will be available in the budget year. Under law, these

grant funds are available for expenditure for three years following appropriation.

The budget proposes total expenditures, including expenditures from the Federal Trust Fund and reimbursements, of \$108,192,000 in 1984-85. This is a decrease of \$50,751,000, or 32 percent, from estimated total expenditures in the current year. Again, the apparent reduction is almost certainly overstated.

Major Program Changes

Table 1 shows the major changes proposed in the department's budget for 1984-85. These changes include:

- A \$4,697,000, or 5.6 percent, increase in state park system operations, primarily supported by the General Fund. This includes an increase of \$1,053,000 and 30.1 personnel-years for the patrol, operation and maintenance of new acquisitions and facilities to be offset by revenues that the new positions are expected to generate.
- A reduction of \$1,843,000 from various funds and 85 personnel-years, primarily due to reductions in capital outlay-related workload.
- A \$4,400,000 funding shift from the State Parks and Recreation Fund (SPRF) to the General Fund. This shift recognizes the department's failure to generate the revenues it had promised the Legislature in 1982 and 1983.
- A \$35,894,000, or 93 percent, reduction in local assistance grants financed from bond funds, federal funds, and the Environmental License Plate Fund. The actual reduction, however, undoubtedly will be much less because expenditures estimated to occur in the current year will slip to the budget year.
- Elimination of funding for grants under the Roberti-Z'berg Urban Open-Space and Recreation program (-\$3,378,000). The department expects to request funding for the Roberti-Z'berg Program for 1984-85 in a budget change letter.
- A \$12,548,000, or 100 percent, reduction in Off-Highway Vehicle Fund (OHV) grants. The department expects that funding for OHV grants in 1984-85 will be proposed in a budget change letter.

Major Policy and Program Directions

Appropriation of State Park Revenues Continued. The budget proposes to continue the policy of providing a portion of the department's support from state park revenues appropriated from the State Parks and Recreation Fund by Item 3790-001-392. During 1982-83 and 1983-84, the department's revenues have fallen, or are expected to fall, short of the amounts appropriated. As a result, during both years, the department has made major cutbacks in support expenditures. We discuss the appropriation of state park revenues and the problems created by the shortfall in collections later in this analysis.

Expansion of the State Park System Increases Operating Workload. The continuing expansion of the state park system is placing additional demands on the department's field operations. During 1984-85, there will be a major increase in operations workload as (1) capital outlay acquisition and development projects in the department's \$167 million pipeline are completed, and (2) responsibility for managing over 85,000 acres of state

Table 1
Department of Parks and Recreation
Proposed Program Changes by Funding Source
(in thousands)

	General Fund	Environ- mental License Fund	Energy and Resources Fund	Off-Highway Vehicle Fund	State Parks and Recreation Fund	Harbors and Water- craft Revolving Fund	1964, 1974, 1976 and 1980 Park Bond Funds	Reim- burse- ments	Federal Trust Fund	Totals
1983-84 Expenditures (Revised)	\$55,192	\$568	\$2,500	\$16,236	\$32,539 ^a	\$360	\$18,210	\$10,862	\$22,476	\$158,943 ^a
1. Workload and Program Changes										
a. Statewide parks and recreation planning	-39	-20	—	—	-84	—	—	-26	-34	-203
b. Development of the state park sys- tem	—	—	—	—	-365	—	—	-1,035	—	-1,400
c. Resource preservation and interpre- tation	76	—	—	—	37	—	—	-2,350	-168	-2,405
d. State park system operations.....	7,482	—	—	—	-1,324	-80	—	-829	-552	4,697
(1) New field positions (30.1).....	—	—	—	—	(1,053)	—	—	—	—	(1,053)
(2) Funding shift	(4,400)	—	—	—	(-4,400)	—	—	—	—	—
(3) Baseline changes	(3,082)	—	—	—	(2,023)	(-80)	—	(-829)	(-552)	(3,644)
e. Off-highway motor vehicle program										
(1) Operations	—	—	—	380	—	—	—	—	—	380
(2) Local assistance grants.....	—	—	—	-12,548	—	—	—	—	—	-12,548
f. Assistance to recreational agencies..	—	-548	-2,500	—	—	—	-16,016	—	-20,208	-39,272
(1) Roberti-Z'berg program.....	—	—	(-2,500)	—	—	—	(-878)	—	—	(-3,378)
(2) Other local grant programs	—	(-548)	—	—	—	—	(-15,138)	—	(-20,208)	(-35,894)
g. Staff reduction (85 personnel-years, distributed among a,b,c, & f above)	—	—	—	—	—	—	(-10)	(-1,337)	(-496)	(-1,843)
1984-85 Expenditures (Proposed)	\$62,711	—	—	\$4,068	\$30,803	\$280	\$2,194	\$6,622	\$1,514	\$108,192
Change from 1983-84:										
Amount	\$7,519	-\$568	-\$2,500	-\$12,168	-\$1,736	\$80	-\$16,016	-\$4,240	-\$20,962	-\$50,751
Percent	13.6	-100.0	-100.0	-77.3	-5.3	-22.2	-88.0	-39.0	-93.3	-31.9

^a The level of expenditures shown for 1983-84 does not reflect reductions from the State Parks and Recreation Fund that will result from a shortfall of state park revenues in the current year.

park lands is transferred from the Department of General Services to the Department of Parks and Recreation. The completion of authorized capital outlay projects and the transfer of properties to the state park system are discussed in greater detail later in this *Analysis*.

Memoranda of Understanding for Park Employees Impose Major New Costs. Provisions of the 1983-84 memoranda of understanding (MOUs) affecting state park employees have imposed major new costs on the department. The budget shows increased salary costs of \$4,150,000 during 1984-85 as a result of the pay increases provided in the 1983-84 memoranda. These costs consist of (1) \$3,326,000 to fund the general 6 percent pay increase granted in 1983-84 and (2) \$824,000 for an *additional* 7.5 percent increase provided to state park rangers and lifeguards. There will be additional costs in future years for other provisions of the memorandum. For example, a provision of the memorandum for park rangers requires the department to provide bullet-proof vests, upon request, to all rangers.

Emphasis on Development Rather than Acquisition Projects. The 1983 Budget Act appropriated virtually all of the money remaining in various park bond funds, which have been the primary source of funds for parks capital outlay over the last 20 years. As a consequence, the capital outlay budget proposes funding for only a limited number of new projects in 1984-85, primarily from the Special Account for Capital Outlay (tidelands oil revenues). The budget request emphasizes (1) the completion of multistage projects, (2) the rehabilitation or repair of existing facilities, and (3) the conservation and protection of natural features and resources. Acquisition funds as a percentage of total capital outlay funds are proposed to decrease from approximately 50 percent in the current year to 28 percent in 1984-85.

Park Bond Debt Service Adds to General Fund Costs. The department indicates that costs to the General Fund for debt service of the general obligation bonds issued to fund the department's capital outlay and local assistance grant programs since 1964 will be approximately \$90 million in 1984-85. Thus, the cost to the General Fund for debt service on park bonds will exceed by about \$27 million the General Fund cost of operating the state park system during 1984-85. Altogether, the total General Fund cost of providing for the department's programs in the budget year (including bond amortization) will be approximately \$153 million.

The anticipated sale of \$85 million of park bonds during the next year will result in further increases in the annual debt service cost to the General Fund for park purposes. These bonds have been authorized by the voters and the Legislature has appropriated the proceeds, but the State Treasurer has not yet issued the bonds.

ANALYSIS AND RECOMMENDATIONS

Appropriated Revenues

The department is proposing in its 1984-85 budget request to continue the concept of "appropriated revenues," under which increases in the department's operating budget are financed by matching increases in state park revenues. The department receives revenues from the following principal sources: (1) day-use entrance fees, (2) camping fees, and (3) concessions income.

Chart 1 shows the trends in state park system attendance, operating costs and revenue since 1969-70.

DEPARTMENT OF PARKS AND RECREATION—Continued

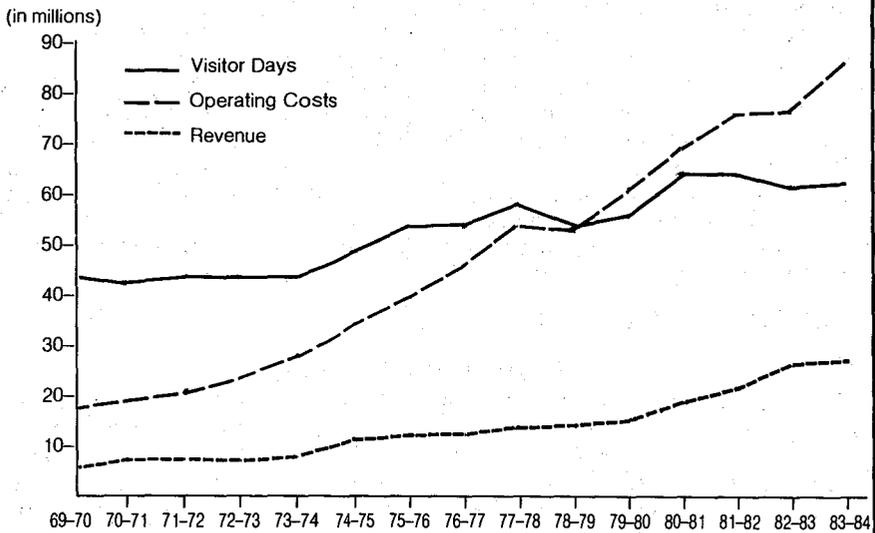
When the appropriated revenue approach was first proposed by the department in the 1982-83 Budget, it marked a radical departure from previous budgeting procedure, under which operating requirements and revenues were considered independently.

Prior to 1982-83, the first \$7 million of park revenues received each fiscal year was deposited in the State Parks and Recreation Fund (SPRF), and the remainder was deposited in the General Fund, as specified by the Public Resources Code. There was no direct link, however, between the level of these revenues and the level of expenditures provided for in the department's budget.

The 1982 Budget Act linked revenues and expenditures for the first time by appropriating \$9,034,000 of park revenues for departmental support. This was the amount of *additional* revenues that the department indicated it could collect in 1982-83. For 1983-84, the mechanics of appropriated revenue changed. Instead of appropriating just the estimated *increase* in revenues above the base level, the Legislature (1) provided for the deposit of *all* park revenues anticipated by the department in the SPRF and (2) appropriated the entire amount for support of the department.

The department proposed the appropriated revenue approach as a means to avoid cuts in its program that otherwise might have been made to help keep the General Fund in balance. This approach allowed the department to finance increased operating costs associated with the continuing expansion of the state park system while minimizing its General Fund appropriations.

Chart 1
State Park System
Attendance, Costs and Revenue for the Last 15 Years.



For 1982-83, the first year in which the appropriated revenue mechanism was implemented, the department proposed to increase revenues in 1982-83 by \$6,072,000, or 29 percent, above the prior-year level. It then requested that this increase be appropriated for departmental support. The increase was to have been attained through various measures, including increased park entrance fees, extended hours of fee collection, and an aggressive concessions program. Of the total revenue increase proposed for 1982-83, \$3,735,000 was to be used to offset a 5 percent General Fund reduction made by the administration in the baseline budgets of most state agencies. The remainder was to be used for new field positions.

Subsequently, the Legislature, in approving the 1982 Budget Act, made an additional General Fund reduction of \$3,500,000, and increased appropriated revenues by an equal amount, based on the department's assurance that it could generate this additional revenue, as well. After adjusting for other budget actions, the final amount of appropriated revenues in 1982-83 was \$9,034,000, an increase of more than 43 percent above the 1981-82 estimated revenue base.

In its budget request for 1983-84, the department proposed appropriating essentially *all* state park revenues for departmental support. The Legislature adopted the department's proposals in the 1983 Budget Act. In addition, the Legislature approved the transfer to the SPRF and appropriated the following revenues that previously were unavailable to the department: (1) an estimated \$1,200,000 of lease revenues from state park properties managed by the Department of General Services and (2) an estimated \$550,000 of boating use fees collected at state park units. The total amount of revenues appropriated by the Legislature in the 1983 Budget Act, after adjusting for the Governor's veto of \$634,000 and a \$906,000 allocation for employee compensation, was \$32,539,000. This represented an increase of 28 percent above actual 1982-83 revenues of \$25,430,000.

Failure to Meet Revenue Goals Has Forced Major Program Cutbacks

We withhold recommendation on \$29,303,000 requested in Item 3790-001-392, pending receipt of information from the department demonstrating that its revenue goal is achievable. We further recommend that the department report to the fiscal subcommittees on (1) the status of revenues, expenditures, and park visitor services in the current year, (2) the steps it will take to achieve its 1984-85 goal, and (3) the program cutbacks it proposes to implement in the event the revenue goal is not met.

Table 2
Department of Parks and Recreation
State Park Revenues—Estimated and Actual Increases
Above Prior Fiscal Years
(in thousands)

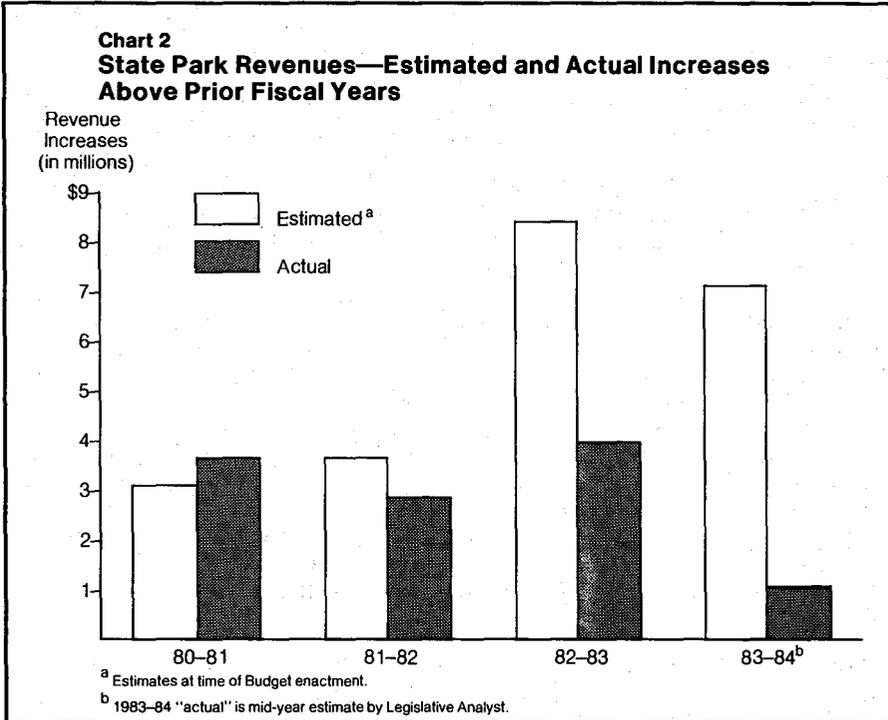
Year	Estimated ^a Revenue Increase	Actual Revenue Increase	Difference
1980-81	\$3,098	\$3,660	\$562
1981-82	3,652	2,856	-796
1982-83	8,403	3,969	-4,434
1983-84	7,109	1,200 ^b	-5,909

^a Increase above prior year actual revenues, estimated at time of Budget enactment.

^b 1983-84 "actual" is mid-year estimate by Legislative Analyst.

DEPARTMENT OF PARKS AND RECREATION—Continued

Chart 2 and Table 2 show estimated and actual increases in state park revenues for four fiscal years beginning with 1980-81. The amount shown as "actual" for 1983-84 is our best estimate of what the increase will turn out to be.



As Chart 2 and Table 2 show, the department's revenue goal in 1982-83 was an increase of \$8,403,000, or 39 percent, above the amount collected in 1981-82. As we advised the Legislature during consideration of the 1982 Budget Bill, this was an unrealistic goal. Consequently, as the 1982-83 fiscal year progressed, the department fell further and further behind its revenue projection and was forced to make more and more reductions in its expenditures. Eventually, the need to reduce spending became so intense that revenue collection efforts in many parks were curtailed in a perverse attempt to reduce costs. The department's actual revenue collections in 1982-83 totaled \$25,430,000, which was \$4,434,000, or 15 percent, less than its revenue goal. The shortfall forced the department to reduce its expenditures in that year by the same amount. This was accomplished primarily by leaving positions vacant, by deferring maintenance and equipment needs, and by reducing park patrols.

The shortfall experienced in 1982-83 has made attainment of the department's ambitious 1983-84 revenue goal that much more difficult. In order

to meet its 1983-84 goal of \$32,539,000, the department must increase revenues by \$7,109,000, or 28 percent, as shown in Chart 2. Based on the trend in revenues for the first five months of 1983-84, our analysis indicates that revenues for the year as a whole will total \$26,630,000. This would be an increase of only \$1,200,000, or 4.7 percent, over 1982-83 revenues and a shortfall of \$5,909,000 compared with the amount of revenue appropriated to the department.

In fact, if it were not for the two new revenue sources (lease revenues and boating fees) that the Legislature added to the department's revenue base in the 1983 Budget Act, revenue in the current-year would be approximately \$300,000 *below* revenue in 1982-83, based on current trends.

The apparent revenue shortfall of \$5.9 million in the current year will force an equal reduction in expenditures. This will require more severe cutbacks than what occurred in 1982-83. The department already is making the necessary cutbacks, again by holding positions vacant, by deferring maintenance work, and by reducing patrols. This second consecutive year of unbudgeted cutbacks is reducing the level and quality of services provided to the public and preventing the department from maintaining the condition of park facilities. These effects, however, are extremely difficult to measure.

The budget recognizes the failure of revenues to meet expectations and proposes a funding shift for support of the department of \$4.4 million from the SPRF (revenues) to the General Fund in 1984-85. Even with the funding shift, however, the 1984-85 revenue goal—\$29.3 million—still will require an increase in revenues of approximately \$2.7 million, or 10 percent, above what we estimate the current-year level will be.

The department has not provided sufficient information to document the feasibility of the 1984-85 revenue target. In light of the department's disappointing performance in reaching its revenue goals in 1982-83 and the current year, as well as the inherent variability of revenues due to such factors as weather and the economy, there is no assurance that the department can achieve its stated goal in 1984-85. Thus, it is possible that, if the budget is approved as submitted, major program cutbacks again will be required.

We recommend that the department report to the fiscal subcommittees prior to budget hearings on (1) the current status of revenues, expenditures and park visitor services, (2) the steps the department will take to achieve its 1984-85 revenue goal, and (3) the specific program cutbacks it proposes to implement in the event the revenue goal is not met. Pending receipt of this information, we withhold recommendation on the \$29,303,000 of state park revenues requested from the SPRF in Item 3790-001-392.

Alternatives to Appropriated Revenue Should Be Considered

We recommend that, at the time of budget hearings, the department present to the fiscal subcommittees an analysis of alternatives to the appropriated revenue budgeting concept.

The department's approach to budgeting revenue has two distinct elements. The first element involves the setting of a baseline revenue target. The second is the policy that new operating expenditures be financed by an equal amount of new revenues. Expenditures are then linked to the revenue target by appropriating the revenues to the department.

The underlying rationale for the appropriated revenue approach is the incentive that is created for the department to collect a specified amount

DEPARTMENT OF PARKS AND RECREATION—Continued

of revenues and thereby limit its reliance on the General Fund. The drawback to this approach is that the Legislature runs a substantial risk that the department's budget will turn out to be unfunded if the revenue target is not achieved. The risk is particularly large because (1) park revenues depend on highly variable factors such as the economy and the weather, and (2) there is no contingency reserve.

The second element of the appropriated revenues approach—that new operating requirements essentially be financed by new revenues—was followed in 1982–83 and 1983–84, and is being proposed again by the department for the budget year. The rationale for this element is that it reduces the *relative* contribution of the General Fund to the department's support budget. The drawback, however, is that it creates an incentive for the department to distribute new operation dollars predominantly to park units and projects that can "pay for themselves." It also creates an incentive for department managers to provide inflated revenue estimates in order to justify new funding. Many legitimate program needs may go unfunded under this policy, since there are numerous park units and activities that can never pay for themselves without sacrificing the purposes for which the parks or activities were authorized by the Legislature.

Potential Alternatives. We believe that the department should be encouraged in its efforts to generate additional revenues. We also believe, however, that the policy of requiring new operating expenditures to be financed completely by new revenues is inappropriate and unreliable. For this reason, we suggest that alternatives to the appropriated revenue approach be considered. Some possible alternatives are outlined below.

Return to Previous Budgeting Practice. One obvious alternative is to return to the previous method of handling revenues and departmental expenditures. Under this alternative, most, and preferably all, park revenues would be deposited in the General Fund. There would be no direct link between amounts deposited and amounts appropriated to the department. This alternative would increase the stability of departmental funding, but would lessen the department's incentive to increase revenues.

Use a More Conservative Revenue Target. A second alternative would retain the current practice of depositing revenues into the SPRF, but would use a more conservative approach to estimating the level of revenues available for appropriation. For example, the past-year actual revenue amount, instead of an estimated target, could serve as the amount to be appropriated in the budget year. If this alternative were used in 1984–85, \$25,430,000 would be appropriated, instead of the \$29,303,000 proposed by the department.

While the use of a more conservative revenue target would reduce the likelihood of unplanned and unwarranted expenditure reductions during the budget year, it would also diminish the department's incentives to increase revenue.

Provide a Positive Incentive for Departmental Revenue Efforts. The more conservative the appropriated revenue target, the more likely that a reserve would be accumulated in the SPRF by the end of the fiscal year. This reserve could serve as a positive incentive for revenue collection efforts if it were made available to the department for special one-time purposes, such as one-time volunteer projects or additional minor capital outlay work at selected park units.

In order to make these funds available for other priorities in the budget, the reserve could be shared between the General Fund and the SPRF by

transferring a portion of any revenue surplus to the unappropriated reserve of the General Fund. Sharing of revenue surpluses could also be done *within* the department's budget to reward those park units that increase their revenue and, thus, extend incentives for revenue generation to the operating level.

We believe it would be useful for the subcommittees to consider these and other alternatives identified by the department for funding the operation of the state park system. Accordingly, we recommend that the department, at the time of budget hearings, present an analysis of various alternatives to the appropriated revenue concept for the consideration of the subcommittees. In its analysis, the department should clearly indicate how each alternative would affect the incentives facing the department to generate revenue.

Proposed Budget Language Is Not Needed

We recommend the deletion of Budget Bill language in Item 3790-001-392 because recent legislation makes this language unnecessary.

The Budget Bill contains language in Item 3790-001-392 that provides for the deposit of state park revenues into the State Parks and Recreation Fund. The language is identical to proviso 1 of Item 3790-001-392 of the 1983 Budget Act. Recent legislation (Ch 524/83 and Ch 439/83) made this provision permanent, eliminating the need to include it in the Budget Bill. Accordingly, we recommend deletion of the language.

Completion of Funded Capital Outlay Projects Will Increase Operation Requirements

We recommend that the department report to the fiscal subcommittees, prior to budget hearings, on how it intends to provide fully for the increased operating and maintenance requirements imposed on its existing field staff by the completion of funded capital outlay projects now in the pipeline. We further recommend that the Legislature adopt supplemental report language requiring the department to submit estimates of future operating costs for each proposed capital outlay project included in its capital outlay request.

Since 1971, the department has spent approximately \$700 million to acquire land and construct new facilities for the state park system. Funding for these projects has been provided primarily from the 1964, 1970, 1974, 1976, and 1980 Park Bond Acts. Monies from the General Fund, tideland oil revenues, and the federal funds have also been used for this purpose.

In addition, the department has a backlog of uncompleted capital outlay acquisition and development projects that as of January 1, 1984, amounted to about \$167 million (\$61 million acquisition and \$106 million development). Also, approximately 24,000 acres of lands acquired for the state park system (at a cost exceeding \$123 million) currently are under the management of the Department of General Services.

Potential 1984-85 Costs. Completion of the projects still in the pipeline will impose substantial ongoing operating and maintenance requirements on the department, beginning in 1984-85. The department estimates that completion of authorized projects will require an additional \$5.6 million and 130 personnel-years in 1985-86 for operation and maintenance purposes. Our analysis indicates, however, that the department's estimates of these costs may be too low.

We note that the department has not requested additional positions or

DEPARTMENT OF PARKS AND RECREATION—Continued

funds for the operation of several projects that are scheduled for completion during 1983–84 or 1984–85, even though these projects, according to the department's own estimates, will entail annual costs for operation and maintenance of more than \$360,000. These projects include a recently completed campground and day-use area at Salt Point State Park (Sonoma County) and an expanded campground area at San Simeon State Beach (San Luis Obispo County). We recommend that the department report at budget hearings on (1) the additional operating costs and staffing needed for projects to be completed during the current year and the budget year, (2) the amount of funds and staffing included in the budget request for these projects, and (3) how the department intends to operate those projects for which no additional funds or staff have been budgeted.

Potential Future Costs. The department estimates, on a preliminary basis, that the annual operation and maintenance requirements for those projects proposed for funding in the 1984–85 budget will be approximately \$835,000 by 1986–87. These estimates were prepared by the department in response to a request from our office. The department customarily does not include estimates of the operating costs associated with capital outlay projects in the budget packages that are submitted to the Legislature even though the projects collectively have a major effect on the department's future support requirements.

We believe the Legislature needs more comprehensive and detailed information on future operating costs at the time it considers funding requests for capital outlay projects. We, therefore, recommend adoption of the following supplemental report language:

“The department shall include in the supporting documentation submitted to the Legislature for its annual capital outlay budget request an estimate of the additional annual operating costs expected upon the completion of each project. The information on operating costs for each project shall include: a schedule for project completion; estimated personnel-years, types of positions and equipment; and costs for personal services and for operating expenses and equipment. The department shall, in each case, describe the nature of the operating requirements and the assumptions used in deriving its cost estimates.”

Department Has Failed to Comply Fully With Legislative Intent on State Park Lands Managed by the Department of General Services

We withhold recommendation on \$1,308,000 requested in Item 3790-001-392 for property management purposes, pending receipt of information showing how and where the funds will be used. We further recommend that the department explain to the fiscal subcommittees, at the time of budget hearings, why it has failed to provide quarterly progress reports on properties transferred from the Department of General Services, as required by the Supplemental Report to the 1983 Budget Act.

The budget proposes \$1,308,000 for a new program entitled “property management.” This program is included in the budget to comply with provisions of Ch 752/82 (SB 734) and Ch 439/83 (SB 713). Those measures mandated the transfer of state park properties from the Department of General Services (DGS) to the Department of Parks and Recreation (DPR). The legislation also requires DPR to request sufficient funds in its budget to operate and maintain the transferred properties.

Property Management Under Prior Law. Prior to the recent legis-

tion, DGS had jurisdiction over all properties acquired for the state park system until the Director of *General Services* determined that transfer of the property was "in the best interests of the state." The costs of managing the properties were funded from rents and other revenues derived from the properties. These funds were deposited in the Property Acquisition Law Account, a special account in the General Fund that is continuously appropriated to DGS for its property management purposes.

At the end of 1982-83, approximately 85,000 acres of properties acquired for the state park system over a 15-year period remained under the jurisdiction of DGS and were unavailable for public use. These properties were acquired at a cost to the public exceeding \$175 million.

Legislative Action to Increase Public Access. Consistent with the provisions of Ch 752/82, the Legislature adopted language in the 1983 Budget Act and the accompanying Supplemental Report to the 1983 Budget Act that (1) provided for the transfer of the 85,000 acres to DPR, (2) deposited an estimated \$1.6 million of lease revenues from the properties into the SPRF, and (3) appropriated \$1.2 million from the fund to DPR for management, operation, and maintenance of the transferred properties.

Because DPR would not be able to provide for public use of all properties transferred to it during 1983-84, the Legislature, in the supplemental report, authorized DPR to *contract* with DGS to manage specific properties. In addition, however, the Legislature identified specific properties that it expected the department to manage for public use by the end of 1983-84. These properties are located at the following six state park units: Anderson Marsh, Chino Hills, Garrapata Beach, Mount Diablo, Wilder Ranch, and the Leland Stanford Home.

The Legislature also requested the department to report quarterly, beginning October 1, 1983, on the status of each of the properties transferred to it, and on the progress achieved in making each property available for public use. At the time this *Analysis* was prepared, the department had not submitted any quarterly reports to the Legislature.

Budget Request for Property Management. The department has not provided the Legislature with any justification for the \$1,308,000 it is requesting to manage and operate the transferred properties in 1984-85. The department's proposal does not identify (1) which properties DGS will continue to manage and (2) which properties DPR will incorporate into state park operations. We note, however, that the budget requests additional field positions for patrol or operation of transferred properties at only one location (Candlestick SRA), even though the Legislature's intent in enacting the 1983 Budget Act, Ch 752/82, and Ch 439/83 was to accelerate the opening of state park properties for public use.

Lacking justification for the \$1,308,000 requested for property management under Item 3790-001-392, we withhold recommendation on the request, pending receipt of information needed by the Legislature to evaluate the adequacy of the amount and the extent to which the proposal complies with expressed legislative intent. We recommend that the department explain to the fiscal subcommittees, at the time of budget hearings, why it has not complied with supplemental report language requiring quarterly progress reports on the properties identified above.

DEPARTMENT OF PARKS AND RECREATION—Continued

Position Reductions Reflect Capital Outlay and Other Workload Reductions
We recommend approval.

The department proposes to reduce authorized positions by 85 personnel-years in 1984-85, due to reductions in capital outlay and other workload. Table 3 shows the proposed reductions in personnel-years and personal services, by program area and funding source. The department has concentrated its reductions among administrative and professional staff, primarily associated with acquisition and development activities. The department is not proposing position reductions in its field staff at state park system units or in administrative staff at its four regional headquarters.

Table 3
Department of Parks and Recreation
1984-85
Position and Funding Reductions
Due to Workload Changes
(dollars in thousands)

Program Area	Savings by Fund						Total
	Personnel-Years		General Fund	SPRF ^a	Park Bond Funds ^b	Federal Funds and Reimbursements	
	Number	Percent Reduction					
Statewide parks and recreation planning.....	-6	25%	-\$44	-\$89	-\$10	-\$32	-\$175
Acquisition	-6	22	—	-181	-42	—	-223
Development	-33	31	—	-373	-871	—	-1,244
Resources preservation and interpretation	-17	16	-24	-24	-245	-150	-443
Public information	-2	9	-70	—	-3	—	-73
Concessions management	-1	11	-37	—	—	—	-37
Local assistance	-8	24	—	—	-10	-200	-210
Department administration	-12	6	-19	-45	-59	-221	-344
Department totals.....	-85	3%	-\$194	-\$712	-\$1,240	-\$603	-\$2,749

^a State Parks and Recreation Fund.

^b Reimbursements from capital outlay appropriations.

The department proposes to substantially reduce staff levels for work associated with preparation and oversight of capital outlay projects, and for preparation and review of local assistance grant projects. The reductions, however, are roughly commensurate with the substantial reductions that have occurred in existing and proposed funding levels for these purposes. Our analysis indicates that the position reductions should not impair the department's ability to carry out necessary work under its capital outlay and local assistance programs in a timely manner. Consequently, we recommend that the proposed reduction of 85 personnel-years be approved. If additional funds are provided in the 1984 Budget Act for capital outlay, however, the restoration of some of these positions may be needed in order to assure timely implementation of the capital outlay program.

We do have concerns with four of the funding changes associated with the position reduction. We discuss these concerns in greater detail below.

Funds for Personal Services Are Being Diverted to Operating Expenditures

We recommend a reduction of \$906,000 because the department has not justified the need for an increase in funds for operating expenditures. (Reduce Item 3790-001-001 by \$194,000 and reduce Item 3790-001-392 by \$712,000.

The budget shows a reduction of \$2,749,000 of personal services associated with personnel-year reductions due to declining capital outlay and administrative workload. The department is proposing to redirect \$906,000 of this amount to facility operations, utilities, general expenses, and equipment operating expenses. These augmentations would be *in addition* to other adjustments made in the budget, totaling over \$1.9 million, to compensate for (1) the impact of inflation on operating expenses and (2) new facility requirements. As a result, even without the \$906,000, operating expenses would increase by 11 percent. With the redirection of funds, the increase would be 16 percent, while staffing for the department is going down.

The department has not justified a further increase in the amount budgeted for operating expenses. Because an 11 percent increase appears to be adequate to meet the department's needs, we recommend a reduction of \$194,000 to Item 3790-001-001 (General Fund) and \$712,000 to Item 3790-001-392 (State Parks and Recreation Fund).

Operating Expenditure Savings Are Not Shown for Position Reduction

We recommend a reduction of \$68,000 in Item 3790-001-001, \$533,000 in reimbursements, \$249,000 in Item 3790-001-392, and \$112,000 in Item 3790-001-890 in order to realize savings for operating expenditures and equipment associated with the 85-personnel-year reduction.

The budget does not show any savings in operating expenses and equipment associated with the reduction of 85 personnel-years of administrative and professional staff. Some savings should occur from the position reduction, however, due to reduced requirements for office space and supplies, utilities, and travel. Accordingly, we recommend the following reductions in funds for operating expenditures and equipment totaling \$962,000: (1) reduce Item 3790-001-001 by \$68,000, (2) reduce reimbursements by \$533,000, (3) reduce Item 3790-001-392 by \$249,000, and (4) reduce Item 3790-001-890 by \$112,000.

Budget Includes Salary Increase for Deleted Positions

We recommend a reduction of \$8,000 in Item 3790-001-001, \$59,000 in reimbursements, \$32,000 in Item 3790-001-392, and \$22,000 in Item 3790-001-890 to correct for overbudgeting.

The budget eliminates 85 personnel-years, for a savings of \$2,019,000 in 1984-85. The budget, however, includes funds to continue for a full year the 6 percent salary increase granted during the current year for the positions to be eliminated. Thus, savings are understated by approximately \$121,000.

In order to correct for this overbudgeting, our analysis indicates that the following reductions should be made: (1) reduce Item 3790-001-001 by \$8,000 (2) reduce reimbursements to Item 3790-001-001 by \$59,000, (3) reduce Item 3790-001-392 by \$32,000, and (4) reduce Item 3790-001-890 by \$22,000.

DEPARTMENT OF PARKS AND RECREATION—Continued**Apparent Funding Discrepancy Exists for Position Reductions**

We recommend a reduction of \$177,000 requested in Item 3790-101-742 for review of local assistance grant projects and a corresponding increase to Item 3790-001-890 because the reduction of positions working on state bond grant projects should result in a savings of bond funds rather than federal funds.

The department proposes to eliminate eight authorized positions for administration of local assistance grant programs in 1984-85, for a savings of \$210,000. Only one of the eight positions is associated with federal grant programs. Nevertheless, the budget allocates \$193,000 of the \$210,000 savings to the Federal Trust Fund.

Seven of the eight positions proposed for reduction now work on state grant projects that are funded primarily by state park bond funds. We believe there should be savings to the bond funds corresponding to these position reductions. Instead, the department is requesting an increase in bond fund appropriations for review of grant projects, even though it is requesting only \$1.7 million from bond funds for grants in 1984-85—a 68 percent reduction from the current-year level.

In order for the savings from the position reductions to be consistent with funding sources for the positions, our analysis indicates that \$177,000 of savings shown for the Federal Trust Fund instead should be allocated to bond funds. We therefore recommend a reduction of \$177,000 to Item 3790-101-742 (1976 Park Bond Fund) and a corresponding increase to Item 3790-001-890 (Federal Trust Fund).

Operations**New Positions for Operations Are Not Justified**

We recommend a reduction of \$188,000 and 6.2 new positions in Item 3790-001-392 because (1) delays in the completion of certain projects have postponed the need for some positions, and (2) the department has not justified the need for the other positions.

The budget proposes an additional \$1,053,000 and 30.1 personnel-years in 1984-85 to (1) operate new day-use and camping facilities, (2) collect additional park entrance fees, and (3) patrol new acquisitions. Because some of the new positions will not be filled immediately, this request represents only a portion of what it will cost to perform these activities on a full-year basis, \$1,519,000 and 41.3 personnel-years. The budget proposal assumes that the new positions will be essentially self-financing. The department estimates that increased fee collections made possible by the new positions will produce additional revenues to the State Parks and Recreation Fund of \$1,018,000 during 1984-85 and \$1,473,000 during 1985-86.

Our analysis indicates that the following reductions should be made in the amount requested by the department:

Crystal Cove State Park—Reduce by \$42,000 and 1.1 personnel-years. The department requests \$128,000 and 3.5 personnel-years in 1984-85 for patrol, operation and maintenance of new parking areas, restrooms, trails and a visitor center scheduled for completion in April 1985. This request is equivalent to \$478,000 and 12.8 new positions on a full-year basis, and

would augment 16.6 personnel-years that were added for the park in the 1982 Budget Act.

Since the budget was prepared, the department has revised its estimated completion date for the project to May 1985. We, therefore, recommend a reduction of \$42,000 and 1.1 personnel-years in the amount budgeted for 1984-85. We further recommend that full-year authorized positions be reduced by 1.0 personnel-year to eliminate staff for the visitor center. The visitor center has been eliminated from the project scope as a result of language in the *Supplemental Report to the 1983 Budget Act*.

Monterey State Historic Park—Reduce by \$35,000 and 1.0 personnel-year. The department requests \$71,000 and 2.0 personnel-years to provide for interim security and maintenance for the historic Cooper-Molera Adobe. According to the department, a further increase will be necessary in the future to provide for full public tours of the reconstructed adobe. Since the department has revised the estimated completion date of reconstruction to December 1984, the full amount requested for 1984-85 is not needed. We, therefore, recommend a reduction of \$35,000 and 1.0 personnel-year.

Fort Ross State Historic Park—Reduce by 0.6 personnel-year. The department requests \$30,000 and 1.2 personnel-years of seasonal staff to provide for interpretation, maintenance and fee collection at the Fort Ross visitor center that is scheduled for completion in January 1985. The request represents \$52,000 and 1.2 personnel-years on a full-year basis. We recommend a reduction of 0.6 personnel-year requested for 1984-85 to correct a technical error in the budget change proposal. This recommended reduction has no effect on the amount of funds to be appropriated.

San Mateo Coast State Beaches—Reduce by \$40,000 and 1.7 personnel-years. The department requests \$79,000 and 3.4 personnel-years for fee collection at three new contact stations in the San Mateo Coast area. Our analysis indicates that fee collection during the fall and winter months, when visitation is low, will not be cost-effective. We, therefore, recommend a reduction of \$40,000 and 1.7 personnel-years requested for fee collection during these months.

Angel Island State Park—Reduce by \$21,000 and 0.3 personnel-year. The department requests \$21,000 and 0.3 personnel-year for visitor services and maintenance at new facilities at East Garrison that are scheduled for completion in May 1985. The request is equivalent to \$100,000 and 1.5 personnel-years on a full-year basis.

Since the budget was prepared, the department has revised its estimated completion date for the development project to June 1985. Any further delay in project completion will postpone the need for new positions until 1985-86. We recommend deletion of the funds for 1984-85. The new positions should be considered in 1985, when the project is closer to completion.

Malibu Creek State Park—Reduce by \$50,000 and 1.5 personnel-years. The department requests \$192,000 and 4.8 personnel-years for fee collection and maintenance of new campground facilities scheduled for completion in June 1984. The budget requests 1.1 personnel-years of seasonal park aid staff and 3.7 personnel-years of maintenance staff, including 3 permanent full-time positions. The new facilities include a 60-unit campground and three group campsites with combined capacity for 90 persons.

Our analysis indicates that the request for maintenance staff is excessive, given the size of the new campground areas and the seasonal nature of park visitations. Consequently, we suggest that two permanent positions

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be eliminated and replaced by 1.0 seasonal personnel-year. This revision would leave 2.7 personnel-years, including 1.7 personnel-years of seasonal staff, for maintenance. This should be adequate for the seasonal demands that will be placed upon the new facilities.

Also, since preparation of the budget, the department has revised its estimated completion date for the facilities to mid-August 1984. We therefore recommend a total reduction of \$50,000 and 1.5 personnel-years in 1984-85, 1.0 personnel-year of which should be a permanent reduction.

Harbors and Watercraft Fund Appropriation Does Not Meet Intended Program Costs

We recommend an increase of \$571,000 in Item 3790-001-516 from the Harbors and Watercraft Revolving Fund (HWRF) and a corresponding reduction from the General Fund in Item 3790-001-001 because HWRF payments have not been adjusted for inflation for 15 years. We further recommend that the Legislature adopt conforming Budget Bill language.

The budget proposes an appropriation of \$280,000 from the Harbors and Watercraft Revolving Fund (Item 3790-001-516) for support of the department in 1984-85. This is a decrease of \$80,000, or 22 percent, below estimated expenditures from this source in the current year. The proposed amount is calculated using a formula contained in Section 663.7 of the Harbors and Navigation Code, and is intended to finance the costs of boating safety and enforcement on waters under the jurisdiction of the department in the state park system. The formula was established by Ch 1270/70. Similar payments, based on a different formula, are made to counties and other local entities for boating safety and law enforcement.

The statutory formula which determines the department's appropriation for boating safety and enforcement programs uses the department's program costs in 1969-70 as a base. The formula does not adjust for inflation. The only funding adjustment allowed by the formula is an adjustment to reflect changes in the estimated number of boat entries into state park units operated by the department, which is presumed to be a rough indicator of the department's enforcement workload.

Our analysis indicates that an additional \$571,000 is needed from the HWRF to more accurately reflect the budget-year cost of the department's boating safety and enforcement programs. This is the amount needed to adjust the \$280,000 requested in the budget year for the inflation that has occurred since 1969-70. Therefore, we recommend a \$571,000 augmentation to Item 3790-001-516. This will then allow a corresponding reduction to the department's General Fund appropriation, Item 3790-001-001. We further recommend a conforming change in Budget Bill Language for Item 3790-001-516, as follows:

“Notwithstanding subdivision (d) of Section 663.7 of the Harbors and Navigation Code, the amount of \$851,000 is appropriated to the Department of Parks and Recreation for the purposes of its boating safety and enforcement programs.”

Even with the inflation factor, however, the existing statutory formula does not adequately measure the cost to the department of boating-related programs.

General Fund Subsidy of Boating Programs Should Be Eliminated

We recommend a reduction of \$1,230,000 in Item 3790-001-001 and a corresponding augmentation to Item 3790-001-516, in order to shift the cost of programs serving boaters at state park reservoirs and lakes from the General Fund to the Harbors and Watercraft Revolving Fund.

The Department of Parks and Recreation operates boating facilities at a number of lakes, reservoirs, and waterways in units of the state park system. The department also provides other services that primarily benefit boaters at these units, including operation and maintenance of specially landscaped parking areas, campgrounds, boat-in areas, floating restrooms, and cleanup of floating debris.

We have identified eight areas in the state park system where the department incurs significant operation and maintenance costs in order to provide for boating activities. Table 4 lists these areas and the operating expenditures associated with each one in 1982-83. The table also lists boating fees and other park system revenues collected at each area in 1982-83.

Table 4
Expenditures, Fees, and Revenues at State Park Areas
Which Have Significant Boating Use, 1982-83

State Park Areas	Total Operating Expenditures	Estimated ^a Percentage of Cost Related to Boater Use	Boating Use Revenue ^b	Other Revenues ^b
Clear Lake SP	\$484,747	40	\$2,600	\$90,938
Brannan Island SRA.....	352,430	30	15,300	131,028
Folsom Lake SRA.....	1,718,175	20	102,300	545,191
San Luis Reservoir SRA	1,371,986	27	22,500	227,218
Lake Oroville SRA	1,695,034	75	39,500	261,410
Lake Perris SRA, Lake Elsinore SRA ...	2,915,419	20	125,500	1,107,500
Millerton Lake SRA	938,621	35	38,800	199,966
Silverwood Lake.....	1,242,728	30	74,100	316,287
Totals.....	\$10,719,140	33 ^c	\$436,400	\$2,879,538

^a Based on survey of park area managers.

^b During 1982-83 boating use revenues were paid to the Harbors and Watercraft Revolving Fund. Other revenues were paid to the General Fund or the State Parks and Recreation Fund. Under existing law, all revenues now are paid to the State Parks and Recreation Fund.

^c Weighted average.

Boating-Related Costs in Parks. As shown in Table 4, operating expenditures in 1982-83 at these eight areas totaled \$10,719,140, or 15 percent of total expenditures for all park units operated by the department. A considerable portion of these expenditures is attributable to boating-related activities such as the maintenance of boat-in campgrounds, floating restrooms, and launching ramps. In addition, other costs incurred at these eight units, such as the staffing of entrance stations and the patrol and maintenance of day-use areas, can be attributed, in part, to boating.

The percentage of total operating costs attributable to boating use varies substantially from one area to another, depending on such factors as an area's proximity to metropolitan regions and the relative extent of nonboating activities at the park unit. We surveyed park managers at the units listed in Table 4 and secured their estimates of what percentage of

DEPARTMENT OF PARKS AND RECREATION—Continued

total costs was boating-related. These estimates range from approximately 20 percent of total costs at Lake Perris, where there is significant nonboating use, to as much as 75 percent at Lake Oroville, where visitation and use is predominantly boating-oriented. Based on these estimates, about one-third, or approximately \$3.6 million, of the total operating expenditures for the eight units are related to boating activities.

General Fund Subsidy to Boaters. The \$3.6 million of boating-related costs are partially offset by (1) \$436,400 of boating use fees, (2) the \$346,000 appropriation to the department from the Harbors and Watercraft Revolving Fund, and (3) some portions of the other revenues collected at these areas. If we assume that one-third, or \$960,000 of the other revenues are boating-related, we still find that the General Fund provides approximately \$1.8 million toward boater-related costs.

It would be more appropriate for the costs attributed to boater-related services to be financed from the Harbors and Watercraft Revolving Fund. The Harbors and Watercraft Revolving Fund is supported by boating taxes and fees that are imposed for the express purpose of meeting the boating needs of the public.

Taking into account the \$571,000 augmentation from the Harbors and Watercraft Revolving Fund recommended earlier in this *Analysis*, we recommend an augmentation of \$1,230,000 to Item 3790-001-516 and a corresponding reduction in the department's General Fund appropriation (Item 3790-001-001).

A discussion of surplus revenue in the Harbors and Watercraft Revolving Fund appears in our analysis of the proposed budget for the Department of Boating and Waterways (Item 3680).

Consulting Services Are Overbudgeted

We recommend a reduction of \$126,000 in Item 3790-001-001 because the department has not identified any specific need for contract funds requested for economic studies.

The department is requesting \$1,305,000 for various consulting and professional services. Included in this amount is \$126,000 from the General Fund which would go for "economic studies to be used at the director's discretion." At the time this *Analysis* was prepared, the department stated that the specific nature and scope of the studies would be determined as further review identifies specific needs. In other words, the \$126,000 is requested for unknown contingencies.

The department may have legitimate needs for economic or market studies, but it has not identified any such need. Accordingly, we recommend a reduction of \$126,000 in Item 3790-001-001 requested for consulting and professional services in order to eliminate contingency budgeting.

Data Processing Expenditures Are Overbudgeted

We recommend a reduction of \$194,000 because the department consistently has overestimated its data processing needs. (Reduce Item 3790-001-001 by \$130,000 and Item 3790-001-392 by \$64,000.)

The department is requesting a total of \$478,000 for data processing services provided by the Teale Data Center and the Department of Water Resources through interagency agreements. This is an increase of \$27,000, or 6 percent, compared with estimated expenditures for these agreements in 1983-84, and an increase of \$225,000, or 89 percent, over the amounts

actually spent in 1982-83. Table 5 shows the amounts budgeted and the amounts spent under the department's interagency agreement with the Teale Data Center for the three fiscal years prior to 1983-84.

Table 5
Department of Parks and Recreation
Data Processing Expenditures At Teale Data Center

	<i>Amount Budgeted</i>	<i>Amount Billed</i>	<i>Difference</i>	
			<i>Amount</i>	<i>Percent</i>
1980-81	\$43,785	\$10,017	\$33,768	77
1981-82	65,915	57,089	8,816	13
1982-83	183,840	126,738	57,102	31

As shown in Table 5, the department consistently has overbudgeted for its interagency agreement with Teale. In 1982-83, the difference between the department's allocation and billings for its data processing agreement with the Department of Water Resources was \$82,000, or 39 percent of the amount budgeted. Thus, the total overbudgeting for data processing in 1982-83 was \$139,000.

The amounts budgeted for data processing should be based on the department's needs, not simply on amounts budgeted in prior years. We, therefore, recommend reductions of \$130,000 to Item 3790-001-001 (General Fund) and \$64,000 to Item 3790-001-392 (State Parks and Recreation Fund) requested for data processing services. This would leave \$284,000 for data processing, which is the 1982-83 expenditure level with a 6 percent annual adjustment to allow for price increases.

State Park Concession Contracts

The Department of Parks and Recreation administers 167 concession contracts, ranging from rowboat rentals at Benbow Lake State Recreation Area to a large complex of shops and restaurants at Old Town San Diego State Historic Park. Gross sales by state park concessions during 1982-83 totaled approximately \$27.9 million, of which approximately \$2.3 million, or 8.2 percent, was paid to the state as rent.

The department estimates that the state will receive concession revenues of \$2,445,000 in the current year and \$2,500,000 in 1984-85, based on estimated gross sales of \$29,500,000 and \$31,000,000, respectively. Under existing law, revenues received by the department are deposited in the State Parks and Recreation Fund, which may be used to finance state parks planning, acquisition, and development costs, or for the operating expenses of the department.

Supplemental Report Language Describing Each Concession Contract Should Be Adopted

For the purposes of project definition and legislative control, we recommend the adoption of supplemental report language that describes the scope and terms of each concession contract approved by the Legislature pursuant to Public Resources Code Section 5080.20.

Public Resources Code Section 5080.20 (added by Ch 1487/82) requires legislative review and approval (as part of the budget process) of proposed new and amended concession contracts involving a total investment or estimated annual gross sales in excess of \$100,000. This requirement applies to concession contracts for state park lands operated by local agencies, as well as to contracts for lands operated by the department. In

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prior years, the Legislature has adopted supplemental report language to describe the scope and terms of each approved contract. We recommend that this method of legislative control be continued for 1984–85.

Progress in Managing Concessions Has Been Uneven

Two years ago, we examined the department's administration of concessions in a special report entitled, *A Review of the Department of Parks and Recreation's Concessions Program in the State Park System* (82–3). We noted several serious deficiencies in the department's management of these concessions, the most significant of which was the department's failure to obtain adequate revenue from its concession contracts. Since that time, the department has made a significant effort to improve concessions management and to increase concessions revenue. Our analysis indicates that while some progress has been achieved, further improvements are needed.

On the one hand, in response to legislative direction, the department successfully renegotiated the Bazaar del Mundo contract at Old Town San Diego State Historic Park. The renegotiation resulted in an increase in annual revenues to the state of over \$500,000. On the other hand, the department has yet to implement several important concession proposals for which it received legislative approval in the *Supplemental Report of the 1982 Budget Act*. These include a major new concession contract to improve visitor services at Hearst San Simeon State Historic Monument, which produces the most revenue of any unit in the state park system. At the time this analysis was written the department had yet to advertise this contract for bid.

Comprehensive Contract List Needed

We recommend that the subcommittees direct the department to provide listings of (1) concession contracts at state park units managed by local agencies and (2) concession contracts entered into during 1982–83 and the current year.

The department still lacks basic information about concession contracts at state park units that are managed by local agencies. For example, the department's annual concessions statement does not include a list of these contracts, nor has the department provided us with such a list when requested.

Furthermore, the annual statement does not include a listing of contracts throughout the park system entered into during the preceding fiscal year, even though Section 5080.21 of the Public Resources Code requires the department to provide such a listing.

The Legislature needs a comprehensive contract list in order to know which contracts should be brought before it for review and approval as part of the budget process, and to understand the full scope of concession activities in the state park system. We, therefore, recommend that the subcommittees direct the department to provide listings of (1) concession contracts at state park units managed by local agencies and (2) concession contracts entered into during 1982–83 and the current year. The listings should include the terms of each contract, the terms on which each concession was advertised for bid, contract expiration dates and, where applicable, gross sales, rental amounts, and identification of rental recipients.

New and Renegotiated Concessions Projects

The department has submitted the following concession proposals to the Legislature for approval pursuant to Public Resources Code Section 5080.20:

1. ***Big Basin Redwood State Park—camp store concession. We recommend approval.*** The department proposes to offer for bid a new five-year contract for this existing facility with a minimum annual rent of \$12,000 or 10 percent of gross sales, whichever is greater. Our analysis indicates that the department's proposal is reasonable and that the rental terms are appropriate.

2. ***Monterey State Historic Park—Mexican restaurant concession. We recommend approval.*** The department proposes to offer for bid a new five-year contract for this existing facility with a minimum acceptable rent of \$1,000 per month or 10 percent of gross sales, whichever is greater. Our analysis indicates that the proposal is reasonable and the rental terms are appropriate.

3. ***Morro Bay State Park—golf course concession. We recommend approval of a five-year term without a renewal option.*** At present, the concession is operated by the County of San Luis Obispo through an agreement with the department. The state receives no income under this arrangement. The county and the department plan to terminate the agreement on January 1, 1985. The department proposes to offer for bid a new five-year contract for the existing facility with a minimum annual rent to the state of \$80,000 or 8 percent of gross sales, whichever is greater. The proposal also includes an option for the department to extend the contract for an additional five years.

Public Resources Code Section 5080.18 limits concession terms to five years, except when a longer term is required to amortize an investment or under certain other specified circumstances. The department indicates that the initial five-year term is sufficient for the full amortization of the estimated \$500,000 of leasehold improvements that the concessionaire will be required to make. According to the department, the potential renewal of the contract will be an incentive to ensure that the concessionaire makes all of the improvements called for in the initial five-year term.

Since the facility improvements should enhance the profitability of the concessionaire's operation, and since the department indicates that the concessionaire will be able to amortize fully the cost of the improvements during the initial term, we see no need for additional incentives. We therefore recommend approval of the concession proposal subject to deletion of the renewal option.

4. ***Old Sacramento State Historic Park—steam excursion train. We recommend disapproval of this new contract.*** This proposal involves concessionaire operation of a passenger excursion railroad from Old Sacramento to Miller Park, with future extension of the line to be financed from operating revenues. The proposed term is five years with a minimum bid of 3.5 percent of gross sales or an annual payment of \$10,800, whichever is greater. The concessionaire would be required to invest an estimated \$220,000 for improvement and development of tracks and related facilities.

Several agreements and acquisitions involving the Southern Pacific Railroad and the City of Sacramento must be completed before the concession operation will be feasible. Until rights to the trackage have been secured, this proposal is premature. The Legislature disapproved an identical proposal when it considered the 1983 Budget Bill. Since then the

DEPARTMENT OF PARKS AND RECREATION—Continued

department has made essentially no progress in securing the necessary acquisitions and agreements.

This is a complex and difficult project which has not been given adequate study by the department. Project economics have not been evaluated adequately. The eventual capital outlay costs for a successful project, in terms of both acquisition and development, could be major and the potential funding sources are unknown.

We recommend disapproval of this concession proposal until the necessary preparatory studies and plans have been completed and made available to the Legislature for its review.

5. *Old Town San Diego State Historic Park—Mexican handicraft shop. We recommend approval.* The department proposes to offer for bid a new four-year contract for this existing facility with a minimum annual rent of \$8,400 or 6 percent of gross sales whichever is greater. Our analysis indicates that the proposal is justified and that the rental terms are appropriate.

6. *Old Town San Diego State Historic Park—parking lot concession. We withhold recommendation, pending receipt of additional information.*

At present, a total of approximately 560 free parking spaces are available in the immediate vicinity of Old Town San Diego State Historical Park for the use of park visitors and park concession employees. According to the department, the parking capacity is often filled, particularly during evening hours when many visitors arrive to patronize the concession restaurants and shops at the park.

In response to the parking problem, the department in 1976 acquired a 700-space parking lot. The lot is located beneath an elevated portion of the I-5 freeway, across a set of railroad tracks and several blocks from the park. The lot has not received significant use from park visitors, however, because the location is inconvenient and users must walk a substantial distance to reach the park.

The department proposes to offer for bid a five-year concession contract for operation of a parking lot and shuttle tram system at Old Town San Diego. The department is proposing a minimum annual rent of \$100,000 or 60 percent of gross sales, whichever is greater.

Under the proposed contract, the concessionaire would operate this lot and a shuttle tram between the lot and the park. The concessionaire would also install parking meters at the existing parking areas in the immediate park vicinity, and would collect the money from the meters. The department proposes that 100 free parking spaces in the 700-space lot be provided for the use of park concession employees. The department is also proposing that concessionaires in the park be given a discount by the parking concessionaire on their payments for validated tickets.

At the time this *Analysis* was prepared, the department had not provided sufficient documentation to enable the Legislature to evaluate fully all of the terms on which the concession is proposed to be let. The proposal lacks detail in many areas that bear directly on the potential financial viability of the concession and the rental returns to the state. Those aspects of the proposal on which more-detailed information is needed include the following: (1) the times and extent to which parking capacity is saturated given current use patterns (2) the proposed times and operating costs for the large lot and the tram system (3) the provisions that will be made for lighting and security, and (4) the amount of discount that will be provided to park concessionaires for ticket validations.

We withhold recommendation on the proposed concession contract, pending receipt of this additional information from the department.

7. Old Town San Diego State Historic Park—Mexican furniture shop. We recommend approval. The department proposes to amend this existing concession contract to provide for relocation of the furniture shop to a nearby building, and to extend the term of the contract for three years, to February 28, 1988. The current rent of \$1,000 per month, or 6 percent of annual gross sales, whichever is greater, will be continued through the first year. The contract extension will provide for a review and possible upward adjustment of the rent to 10 percent of sales in the second and third years. The relocation and contract extension are needed to eliminate the present nonhistoric building and to provide for a subsequent historic reconstruction project at that site. Our analysis indicates that the proposal is justified and that the rental terms are appropriate.

8. South Carlsbad State Beach—camper supply store. We recommend approval.

The department proposes to offer for bid a new five-year contract for this existing concession with a minimum annual rent of \$12,000 or 10 percent of beer and wine sales and 8 percent of all other sales whichever is greater. Our analysis indicates that the proposal is justified and that the rental terms are appropriate.

Certain Concession Contracts Not Submitted

We recommend that the department report prior to budget hearings on its plans for those concession contracts expiring on or before December 31, 1985 for which the department has not submitted concession proposals as part of its 1984-85 budget request.

According to the department's annual concessions statement, there are a number of major existing concession contracts which expire during or shortly after 1984-85, but which are not being presented to the Legislature as part of the department's budget request. These include concession contracts at El Presidio de Santa Barbara State Historic Park and Pismo State Beach. In addition, there are an undetermined number of concessions on state park lands operated by local agencies, which are also subject to legislative review, but which have not been included in the department's request. So that the Legislature may review concession contracts on a timely basis, the department should identify all existing concession contracts that expire on or before December 31, 1985, and explain its plans for the future operation of these concessions.

Legislation Needed to Improve Review Process

We recommend enactment of legislation to (1) increase the threshold for legislative review of concessions from \$100,000 to \$250,000 of annual gross sales and (2) strengthen the reporting requirements for the department's annual concessions statement.

Existing law requires legislative review and approval of state park concessions involving a total investment or estimated annual gross sales in excess of \$100,000. During 1982-83, the 17 largest concessions, with individual gross sales in excess of \$250,000, accounted for \$23.3 million, or 84 percent, of gross concession sales. Another 150 contracts accounted for \$4.6 million, or 16 percent, of the total.

So that the Legislature can concentrate its attention on those contracts of significant fiscal concern, we recommend that legislation be enacted increasing the threshold for legislative review to \$250,000.

DEPARTMENT OF PARKS AND RECREATION—Continued

In order for the Legislature to have the information it needs for review of concession contracts at park units managed by local agencies, we further recommend that the legislation require the department to include in its annual concessions statement a list of all concession contracts at state park units, *including* those managed by local agencies. For each contract, the statement should indicate the term, expiration date, renewal options, (if any), a synopsis of rental terms, gross sales, rents, and identification of agencies receiving rents.

Budget Request Does Not Include Operating Agreements

We recommend that the department report prior to budget hearings on its plans for all existing operating agreements that expire on or before December 31, 1985.

Many state park units are operated and maintained by local agencies through operating agreements with the department. Section 8.10 of the 1983 Budget Act requires the department to submit, as part of its annual budget request, all proposed new or amended operating agreements. Under certain conditions, this section allows the department instead to submit proposed agreements to the Public Works Board, provided the Director of Finance has given 20-days' advance notification to the chairpersons of the Joint Legislative Budget Committee and the fiscal committees. Before approving a new or amended operating agreement, the board must make a determination that the proposal could not have reasonably been presented to the Legislature during the annual budget process.

The department has not submitted any proposed operating agreements as part of its budget request for 1984-85. The department did, however, submit three agreements to the Public Works Board in the first six months of the current year. All three were approved by the board.

The department allowed one operating agreement of particular importance to expire in 1981 without providing for a new agreement. This agreement provided for the operation of six state beaches in Los Angeles County. The County of Los Angeles continues to operate the beaches on what amounts to a month-to-month extension of the original agreement.

Since the expiration of the agreement, the department and the County have been attempting to negotiate a new agreement. The annual cost to the County to operate these six state beaches is approximately \$2.5 million. Clearly, the review and approval of a new long-term agreement for operating these beaches represents a major fiscal policy decision that should be made by the Legislature through the budget process.

To enable the Legislature to review proposed operating agreements on a timely basis, as intended by Control Section 8.10, the department should identify all existing operating agreements that expire on or before December 31, 1985, and report on its plans to renew or replace the agreements.

Language identical to that in Control Section 8.10 of the 1983 Budget Act is proposed in the 1984 Budget Bill as Control Section 18.10. A discussion and recommendation regarding this proposed control section appears in our discussion of that control section.

DEPARTMENT OF PARKS AND RECREATION—CAPITAL OUTLAY

Item 3790-301-036 from the Special Account for Capital Outlay

Budget p. R 145

Requested 1984-85	\$30,425,000
Recommended approval	12,287,000
Recommended reduction	6,338,000
Recommended augmentation	2,020,000
Net recommended approval	14,307,000
Recommendation pending	11,800,000

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

*Analysis
page*

1. **Anderson Marsh—Acquisition. Reduce by \$1,383,000.** Recommended reduction to (a) conform with state's appraisal and (b) delete funds for three small parcels not needed for project. 724
2. **Ano Nuevo—Day Use Phase II.** Recommend adoption of Budget Bill language making Phase II funding contingent on reversion of project savings from Phase I. 725
3. **Candlestick SRA—Day Use, Parking, and Landscaping. Reduce by \$20,000.** Recommend reduction to conform with State Architect's cost estimate. 725
4. **China Camp SP—Sewer System.** Withhold recommendation because project needs to be rescoped in order to stay within the amount requested. 726
5. **Chino Hills Project—Acquisition. Augment by \$20,000.** Recommend (1) augmentation to cover title insurance and other acquisition costs and (2) the department report to the Legislature on the results of public hearings regarding the acquisition. 726
6. **Colonel Allensworth SHP—Building Reconstruction. Delete \$200,000.** Recommend deletion because further development of this park should await reexamination of the general development plan for the unit, given that annual visitations are less than 10 percent of what they were expected to be. 727
7. **East Bay Shoreline Project—Acquisition. Delete \$2,500,000.** Recommend deletion because (a) the request is premature and (b) the entire project will have to be rescoped. Further recommend addition of Control Section requiring notification to the Legislature regarding the department's expenditure plans prior to the encumbrance of funds for the project from existing appropriations. 727
8. **Folsom Lake SRA—Negro Bar Enhancement.** Withhold recommendation, pending receipt of State Architect's cost estimate. 729
9. **Fort Ross SHP—Campground Rehabilitation. Delete \$250,000.** Recommend deletion because (a) the amount requested is less than the State Architect's cost estimate, 729

DEPARTMENT OF PARKS AND RECREATION—CAPITAL OUTLAY—Continued

- and (b) the property is being leased to a private party until October 1986.
10. Hearst San Simeon SHM—Climate Control Study. Recommend adoption of Supplemental Report language requiring transmittal of study to Legislature. 730
 11. Hearst San Simeon SHM—Continuing Restoration. Recommend adoption of Supplemental Report language requiring department to submit restoration program survey to Legislature. 730
 12. Henry W. Coe SP—Acquisition. Withhold recommendation, pending receipt of project rescope. 731
 13. Humboldt Redwoods SP—River Bank Protection. Recommend approval. 731
 14. *Indio Hills Palms—Acquisition. Reduce by \$114,000.* Recommend reduction to conform with state's appraisal. Further recommend adoption of Budget Bill language making use of funds contingent on the County of Riverside agreeing to operate the project for a minimum of 25 years. 731
 15. John Marsh Home—Restoration. Withhold recommendation, pending receipt of detailed project description and State Architect's cost estimate. 732
 16. Malakoff Diggins SHP—Sediment Runoff Study. Recommend approval. 733
 17. *Minor Projects. Reduce by \$890,000.* Recommend reduction for three projects that have not been justified. Withhold recommendation on \$2,200,000 for various projects, pending receipt of additional information. 733
 18. *Mokelumne River—Acquisition. Delete \$200,000.* Recommend deletion because the Wildlife Restoration Fund is a more appropriate funding source. 735
 19. Mt. San Jacinto SP—Acquisition. Recommend adoption of supplemental report language directing department to downscope the project because the purpose of the project can be achieved at less cost. 735
 20. *Pfeiffer Big Sur SP—Sewage System. Reduce by \$10,000.* Recommend reduction to conform with State Architect's cost estimate. 736
 21. *Point Sur Lighthouse—Acquisition. Delete \$500,000.* Recommend deletion because (a) amount requested is excessive, and (b) department should first seek transfer or discount purchase of this federally owned property. 736
 22. *Preliminary Planning. Reduce by \$125,000.* Recommend reduction because funds for resource and interpretive planning should continue to come from the department's support budget as they have in the past. 737
 23. *San Diego Coast—Day-Use Parking and Rehabilitation (Phase II). Reduce by \$41,000.* Recommend reduction to conform with State Architect's cost estimate. Further recommend adoption of Budget Bill language conditioning 1984-85 funding on the reversion of \$525,000 in project savings from Phase I. 737
 24. San Mateo Coast—Access Improvements. Recommend adoption of supplemental report language directing de- 738

- partment to downscope project to be consistent with amount requested.
- 25. Seccombe Lake SURA—Phase II Development. Withhold recommendation on \$4,300,000, pending receipt of Phase I and Phase II detailed cost estimates. 738
 - 26. Acquisition Costs, Pre-Budget Appraisals, Inholding and Opportunity Purchases. Recommend separate scheduling of these amounts in the Budget Bill. 739
 - 27. Statewide Storm Damage Repairs. Recommend adoption of supplemental report language requiring annual reports to the Legislature on storm-damage repairs and federal reimbursements received for these projects. 739
 - 28. *Statewide Pier Inspections. Reduce by \$105,000.* Recommend reduction because amount requested has not been adequately justified. 740
 - 29. Replacement or Rehabilitation of Existing Facilities. Withhold recommendation pending receipt of project re-scopes and State Architect's cost estimate. 740
 - 30. Woodson Bridge SRA—Erosion Control Study. Recommend approval. 741
 - 31. *Design and Construction Planning. Augment by \$2,000,000.* Recommend augmentation for design and construction planning from this item in lieu of Item 3790-301-721, because the Parklands Fund of 1980 is overappropriated. 741
 - 32. Supplemental Report. Recommend adoption of Supplemental Report language that describes the scope of each project approved in this item. 741
 - 33. Transfer of Savings to General Fund. Recommend that savings resulting from approval of our recommendations for this item—\$4,318,000—be transferred to the General Fund in order to increase the Legislature's flexibility in meeting statewide needs. 741

ANALYSIS AND RECOMMENDATIONS

The budget proposes \$30,425,000 in 1984-85 from the Special Account for Capital Outlay in the General Fund for the Department of Parks and Recreation's capital outlay program. The request includes funds for 22 major and various minor capital outlay projects. An additional \$12,785,000 is requested for other parks capital outlay projects in other items of the Budget Bill. Table 1 shows the department's proposed capital outlay program by funding source.

Table 1
Department of Parks and Recreation
Capital Outlay for 1984-85 by Funding Source
(in thousands)

<i>Item</i>	<i>Fund</i>	<i>Budget Bill Amount</i>
3790-301-036	General Fund, Special Account for Capital Outlay.....	\$30,425
3790-301-263	Off-Highway Vehicle Fund	5,710
3790-301-721	Parklands Fund of 1980 (Bond)	2,000
3790-301-733	State Beach, Park, Recreational, and Historical Facilities Fund of 1974 (Bond)	300
3790-301-742	State, Urban, and Coastal Park Fund (1976 Bond)	4,775
Total.....		\$43,210

DEPARTMENT OF PARKS AND RECREATION—CAPITAL OUTLAY—Continued

The request in this item emphasizes (1) the completion of multistage projects, (2) the rehabilitation or repair of existing facilities, and (3) the conservation and protection of natural features and resources. Table 2 shows the 1984-85 request for Item 3790-301-036 by type of project.

Table 2
Department of Parks and Recreation
Special Account for Capital Outlay
Amount Requested by Project Category
(in thousands)

<i>Project Type</i>	<i>Budget Bill Amount</i>
1. Acquisition.....	\$9,900
2. Development	20,525
a. Continuation of multistage projects	(7,429)
b. Replacement or repair of existing facilities	(9,015)
c. New facilities	(1,608)
d. Conservation and protection of natural resources	(1,850)
e. Planning and studies	(623)
Total.....	\$30,425

(1) Anderson Marsh—acquisition \$2,100,000

We recommend a reduction of \$1,383,000 and approval in the reduced amount of \$717,000 because (1) the request exceeds the state's appraisal and (2) certain parcels are not needed for the project. We further recommend the adoption of Budget Bill language requiring acquisition only from willing sellers in order to avoid potentially excessive condemnation costs.

The budget requests \$2,100,000 for the acquisition of approximately 69 acres at Anderson Marsh, on the southeast shores of Clear Lake in Lake County. The main parcel of the proposed acquisition is the 66-acre Garner Island. The island is on the northwest edge of the existing state park properties at Anderson Marsh, which consist of 867 acres acquired in 1982. Acquisition of three small parcels on the northeast boundary is also proposed to provide a new access road to the property.

Our analysis indicates that the three small parcels are not needed. The existing road access to the state's property is adequate for anticipated future traffic levels. In addition to the significant cost of acquiring these parcels, there would be substantial future costs for the realignment of an existing road and the construction of a new access road. We therefore recommend deletion of funds for the three small parcels.

The amount requested in the Budget Bill is substantially in excess of the state's appraisal for the properties and related administrative costs. In order to be consistent with appraised values, and to reflect deletion of the three small parcels and associated administrative costs, we recommend a reduction of \$1,383,000 and approval in the reduced amount of \$717,000.

Even at the reduced amount, the property is expensive, averaging almost \$11,000 per acre. While Garner Island appears to be a desirable addition to the Anderson Marsh project, it is not critical. Therefore, we

recommend that the Legislature adopt the following Budget Bill language under Item 3790-301-036 requiring acquisition from willing sellers only, so that the state will not be exposed to the possibility of an excessive condemnation settlement:

“Funds appropriated for Anderson Marsh in category (1) of this item shall be available only for acquisition from willing sellers.”

**(2) Ano Nuevo State Reserve—working drawings
and construct day-use facilities (Phase II) \$400,000**

We recommend approval contingent on the reversion of project savings from Phase I of the project.

The department is requesting \$400,000 for Phase II of a two-phase project to provide new access, parking, and day-use facilities at Ano Nuevo State Reserve in San Mateo County.

A total of \$254,000 was appropriated in the 1983 Budget Act for a new entrance road to the reserve off Highway 1. This road became necessary when Caltrans declared the bridge on the existing entrance road unsafe for buses. The department requested the funds during budget hearings, without submitting detailed cost estimates and plans, in order to complete project work by December, 1983, when many visitors come to the reserve for the elephant seal breeding season. Caltrans, however, refused to approve the department's original plans and the department has revised its plans substantially. Thus, as of January 1984, construction had not started, and bus tours to the reserve have had to be suspended for the winter season.

Phase II of the project includes a new parking area for 90 cars and 6 buses, a restroom, an entrance station, landscaping, and trail rehabilitation. The scope and cost of Phase II appear to be reasonable.

At the time this *Analysis* was prepared, the department indicated that there would be project savings of \$100,000 in Phase I, because Caltrans was no longer requiring construction of a left-hand turn lane on Highway 1. We recommend approval of the 1984-85 request contingent on the reversion of \$100,000 in Phase I project savings. The savings should be added to Item 3790-495 of the Budget Bill for reversion to the Parklands Fund of 1980, and the following Budget Bill language should be added to Item 3790-301-036:

“The amount appropriated in category (2) of this item for Ano Nuevo State Reserve shall be contingent on the amount reverted by this Budget Act from the appropriation made by Item 3790-301-721 (q) of the Budget Act of 1983. To the extent that the funds reverted are less than \$100,000, the amount appropriated in category (2) of this item shall be reduced accordingly.”

**(3) Candlestick Point State Recreation Area—working drawings
and construct day-use parking and landscaping \$750,000**

We recommend a reduction of \$20,000 and approval in the reduced amount of \$730,000 to reflect the State Architect's cost estimate.

The budget requests \$750,000 for Phase IV of a five-phase project to provide day-use facilities at Candlestick Point State Recreation Area in San Francisco. Specifically, this request includes additional paved parking for 200 cars, unpaved parking for 230 cars, group picnic areas, a children's play area, trails, and landscaping.

The project appears reasonable in scope and cost. We recommend a

DEPARTMENT OF PARKS AND RECREATION—CAPITAL OUTLAY—Continued

reduction of \$20,000, and approval in the reduced amount of \$730,000, so that the Budget Bill amount will be consistent with the State Architect's cost estimate.

(For most park development projects, the appropriate cost estimate consists of the State Architect's cost estimate for construction and an additional amount for miscellaneous work to be performed by the department. In our analysis of park development projects, we generally refer to the State Architect's estimate as *including* the additional work by the department, in order to simplify the discussion.)

(4) China Camp State Park—working drawings and construct sewer system \$300,000

We withhold recommendation on this project because the amount requested is not sufficient to fund the current scope of the project.

The budget requests \$300,000 for working drawings and construction of new sewer lines, lift stations, holding tanks, and a restroom at China Camp State Park in Marin County.

At present, the park is in violation of Regional Water Quality Control Board regulations because it is leaking sewage into San Francisco Bay.

At the time this *Analysis* was prepared, the State Architect estimated that a total of \$432,000 would be needed for the project as scoped. Thus, the department either must rescope the project or request additional funds. We withhold recommendation on this project, pending rescoping of the project or submission of a revised budget request.

(5) Chino Hills Project—acquisition..... \$2,550,000

We recommend an augmentation of \$20,000, and approval in the increased amount of \$2,570,000, in order to provide for necessary acquisition closing costs and title insurance. We further recommend that the department report during budget hearings on (1) the results of the public hearing required by Public Resources Section 5006.1 and (2) why the hearing was not held until after the budget was proposed.

The budget requests \$2,550,000 to acquire 276 acres in Orange County as an addition to the Chino Hills Project. The addition is proposed in order to provide a western entrance and staging area for the park.

The Chino Hills Project is located in the common boundary area of Orange, Riverside, San Bernardino and Los Angeles Counties. Since the beginning of the project in 1980, the department has acquired 6,875 acres at a cost of \$34,100,000. Approximately \$4,100,000 remains from existing appropriations to acquire an estimated 900 acres. The department indicates that an additional 3,500 acres, at a cost of \$18,800,000, are needed to complete acquisitions for the project. Thus, the completed project will encompass approximately 11,275 acres at a projected total acquisition cost of \$57,000,000.

The 276 acres which the department proposes to acquire in 1984-85 is the balance of a 1,286-acre parcel partially acquired by the department in 1982. The department lacked sufficient funds at the time to acquire the entire parcel. The department purchased 1,010 acres, at a cost of \$7,100,000, and obtained an option to purchase the remaining 276 acres for \$2,550,000. The transaction was approved by the State Public Works Board on December 30, 1982.

The department is requesting funds in 1984-85 to exercise the purchase

option. Our analysis indicates that the property is needed for the project and that the purchase price is justified. However, the department did not include in its request an estimated \$20,000 needed to reimburse the Department of General Services, Real Estate Services Division, for title insurance and other closing costs for the property. We therefore recommend an augmentation of \$20,000 and approval of the request in the increased amount of \$2,570,000.

Public Resources Section 5006.1, added by Ch 314/82, requires the department to hold a public hearing *prior* to submitting an appropriation request for the acquisition of property exceeding \$500,000 in value. Section 5006.1 also requires the department to transmit to the Legislature *at the time the appropriation is proposed* a summary of (1) comments from the public at the hearing and (2) comments by the city and county in which the proposed acquisition is located.

The department has not complied with Section 5006.1 in making its request for further acquisition at Chino Hills. The department did not hold the required hearing until January 24, 1984. The Legislature should have the opportunity to review a summary of the hearing before it considers the proposed acquisition. Therefore, we recommend that the department provide to the fiscal subcommittees (1) a summary of the hearing results and (2) an explanation of why the hearing was not held until after the budget was proposed.

**(6) Colonel Allensworth State Historic Park—
building reconstruction..... \$200,000**

We recommend deletion of the \$200,000 requested for this project because (1) the general development plan should be reexamined before further development of this park occurs, and (2) the State Architect has not completed cost estimates for the project.

The budget requests \$200,000 for working drawings, reconstruction of the Mary Dickinson Memorial Library, and renovation of other historic buildings at Colonel Allensworth State Historic Park in Tulare County. The State Architect has not completed cost estimates for the project. Thus, we have no basis for documenting the need for the amount requested.

We believe the department needs to reexamine its long-range plan for this unit. Since 1974, a total of \$1,900,000 has been appropriated for restoration and reconstruction work at the unit. Four buildings have been reconstructed or restored out of 30 designated in the general development plan. The general development plan, adopted in 1976, was based on the assumption that annual visitation to the park would be 95,000. During 1982-83, however, only 6,751 persons visited the park. Thus, it is questionable that the basis for the original plan is sound. We suggest that the department review the general development plan in light of actual visitations.

Pending completion of this review, we recommend that further development at the park be deferred. Accordingly, we recommend that the \$200,000 requested for this project be deleted.

(7) East Bay Shoreline Project—acquisition \$2,500,000

We recommend deletion of \$2,500,000 because (a) the request is premature and (b) the entire project will have to be rescoped. We further recommend the addition of a Control Section requiring notification to the Legislature regarding the department's expenditure plans prior to the encumbrance of funds for the project from existing appropriations.

The department is requesting \$2,500,000 to augment \$6,500,000 previ-

DEPARTMENT OF PARKS AND RECREATION—CAPITAL OUTLAY—Continued

ously appropriated for the East Bay Shoreline Project. Specifically, the money would be used to acquire 37 acres of unimproved land located on San Francisco Bay in the city of Berkeley, known as the "Brickyard". The Legislature appropriated \$4,000,000 from the 1980 Park Bond Fund in the 1982 Budget Act for the acquisition of this property, as the initial phase of the department's East Bay Shoreline Project. It appropriated an additional \$2,500,000 from the 1976 Park Bond Fund in the Budget Act of 1983 for project acquisition and development. Chapter 518/83 revised the 1982 appropriation to provide for acquisition and development.

The project, as proposed by the department in a feasibility study completed in December 1982, involves the preservation of approximately nine miles of shoreline between the Bay Bridge and the Contra Costa County line for recreational and open-space purposes. The study recommended phased acquisition and development by the state of approximately 940 acres of wetlands and undeveloped bay fill lands. Most of these lands are owned by the Santa Fe Land Improvement Company.

Santa Fe has offered to donate the Brickyard and other parcels for park purposes, as part of a land use proposal currently under consideration by the City of Berkeley. Under the proposal, Santa Fe would develop its remaining waterfront holdings in the vicinity of the Brickyard into a major hotel and office complex. The city's decision on the Santa Fe proposal will have a central bearing on the East Bay Shoreline Project. Indeed, the department cannot define a realistic project until the future of the Santa Fe holdings in Berkeley is decided upon.

The current appraised value of the Brickyard parcel exceeds the entire \$9 million of existing and proposed appropriations for the project. Moreover, if Santa Fe donates the parcel, there will be no need for any further appropriation of funds. Consequently, the funding request is premature. Before the Legislature acts on this request, the department should thoroughly reexamine its plans for the East Bay Shoreline Project in light of the City of Berkeley's decision regarding the development proposal.

Consequently, we recommend deletion of the \$2.5 million requested for 1984-85.

The Legislature also should have the opportunity to review the department's expenditure plans for the two existing appropriations. The Budget does not propose the reappropriation or reversion of these appropriations. Section 2.00 of the Budget Acts of 1982 and 1983 reverts project development funds appropriated in those acts unless the Public Works Board approves preliminary plans for the project during the fiscal year in which the appropriation is made. At the time this *Analysis* was prepared, the department had not prepared preliminary plans, or defined the project scope, to present to the Public Works Board. Furthermore, it appears likely that preliminary plans will not be ready by June 30, 1984. Without board approval of preliminary plans in the current year, it is our understanding that funds from these prior appropriations would be available only for acquisition after June 30, 1984.

In order for the Legislature to have the opportunity to review the department's expenditure plans for the existing East Bay shoreline appropriations, we recommend that the following Control Section be added to the Budget Bill:

"Section 18.20. Funds appropriated for the East Bay Shoreline Project in Item 3790-301-721(ee) of the Budget Act of 1982 or Item

3790-301-742(f) of the Budget Act of 1983 may be encumbered not sooner than 30 days after the Director of Finance has provided notification in writing of the necessity thereof to the Chairperson of the committee in each house which considers appropriations and the Chairperson of the Joint Legislative Budget Committee, or not sooner than such lesser time as the Chairperson of the committee, or his/her designee, may determine. The notification shall include all of the following: (1) a description and map of the properties proposed for acquisition, (2) the values of the properties as appraised by the Department of General Services, Real Estate Services Division, (3) a description of the planned boundaries of the East Bay Shoreline Project and the planned ultimate extent of state ownership within the boundaries, (4) a proposed schedule for acquisition of properties needed to complete the project, and (5) estimates of the eventual acquisition, development, and annual operating costs for the project, including the anticipated state share of these costs. The notification shall be accompanied by documentation sufficient to evaluate fully the cost estimates that are provided."

(8) Folsom Lake State Recreation Area—working drawings and construct Negro Bar enhancement \$500,000

We withhold recommendation on \$500,000 requested for this project pending receipt of the State Architect's cost estimate.

The budget requests \$500,000 for working drawings and construction to upgrade and expand existing facilities at Negro Bar. Negro Bar is on the northern shore of Lake Natoma, across from the City of Folsom, in Sacramento County. The preliminary scope for this project includes remodeling of restrooms at the existing campgrounds and installation of additional parking, picnic sites and landscaping at the existing day-use area.

At the time this *Analysis* was prepared, the State Architect had not completed cost estimates and schematic plans for the project. We withhold recommendation on the request, pending receipt of this information.

(9) Fort Ross State Historic Park—working drawings and construct campground rehabilitation \$250,000

We recommend the deletion of \$250,000 requested under this item because (1) the property to be improved is subject to a lease until October 1986 and (2) the amount requested is insufficient to carry out the project as currently scoped.

The budget requests \$250,000 for working drawings and construction to upgrade and expand an existing campground at Fort Ross State Historic Park in Sonoma County. The project scope includes increasing the number of campsites from 20 to 25, increasing day-use parking capacity from 15 to 30 cars, installing a water system, and constructing a new entrance road to the campground off Highway 1.

The campground is located approximately one-half mile south of the historic fort, on lands managed by the Department of General Services through an interagency agreement with the department. The campground is privately operated under a lease with the state that expires on October 31, 1986. Under the lease terms, the lessee is required to make investments to upgrade the campground.

The Department of Parks and Recreation has not indicated that it plans to take over management of the property from the Department of General Services or that there is any basis for terminating the existing lease. Furthermore, according to the State Architect's cost estimate, a total of

DEPARTMENT OF PARKS AND RECREATION—CAPITAL OUTLAY—Continued

\$315,000 is needed to carry out the project as presently scoped—\$65,000 more than what has been requested.

We conclude that the request is premature since the department has not proposed to take any of the steps needed to assume direct management of the property, and because a significant scope revision or augmentation will be required for the project to be feasible. Accordingly, we recommend deletion of funds requested for the project.

**(10) Hearst San Simeon State Historical Monument—
climate control study \$81,000**

We recommend approval. We further recommend that the Legislature adopt supplemental report language requiring transmittal of an artifact and artwork study to the Legislature, upon completion.

The department is requesting \$81,000 to contract with an outside consultant for a study of the effects of interior temperature and humidity changes on the artifacts and artwork at Hearst Castle. The large and valuable display collection is subject to constant temperature and humidity changes as a result of the passage of up to 5,000 visitors per day through the castle. The interior climatic changes tend to hasten deterioration of the artifacts and artwork.

The purpose of the study is to monitor the effects of the changes and identify measures that can be taken to mitigate deterioration of the collection. The Legislature appropriated \$60,000 for this study in the 1982 Budget Act, but the money was reverted by Ch 10x/83.

We recommend approval of the funds, which are needed to safeguard the important state assets at Hearst Castle. We also recommend adoption of the following supplemental report language to assure that copies of the study are provided to the Legislature upon completion:

“The Department of Parks and Recreation shall transmit the results and recommendations of the Hearst Castle climate control study to the Legislature for its review by March 1, 1986.”

**(11) Hearst San Simeon State Historical Monument—
continuing restoration \$705,000**

We recommend approval. We further recommend the adoption of supplemental report language requiring the department to transmit copies of its restoration program survey to the Legislature.

The budget requests \$705,000 to continue a program of building stabilization and repairs at Hearst Castle. Specifically, this request provides for (1) artifact restoration, (2) waterproofing of building exteriors, (3) installation of new electrical wiring and components, including smoke detectors and lighting fixtures, (4) repair of walks and terraces, (5) exterior and interior painting, (6) restoration of the “B House”, and (7) restoration of the Roman Pool. The request also includes \$10,000 for an update of the survey of restoration and preservation program needs. The last comprehensive survey was conducted in 1976.

Approval of the request would restore funding for this ongoing program to the 1982–83 level. Only \$200,000 was appropriated for the program in the current year, in order to reduce General Fund spending.

We recommend approval of the project, which appears to be appropriate in scope and cost. An updated survey is especially needed in order for the Legislature to establish appropriate funding levels for restoration

work in the future. To assure that copies of the survey are made available for legislative review as part of any future budget request for this program, we recommend adoption of the following supplemental report language:

“To facilitate legislative evaluation of future budget requests for rehabilitation and restoration at Hearst Castle, the department shall transmit its 1984-85 survey of restoration and preservation program needs at Hearst Castle to the Chairpersons of the Senate Finance, Assembly Ways and Means, and Joint Legislative Budget Committees on or before January 1, 1985.”

(12) Henry W. Coe State Park—acquisition..... \$300,000

We withhold recommendation on the \$300,000 requested for this project because the department intends to significantly revise the project prior to budget hearings.

The budget requests \$300,000 for acquisition of two separate parcels which are needed to provide southeastern and southwestern entrances to Henry W. Coe State Park in Santa Clara County. At the time this *Analysis* was prepared, the department indicated that it was revising the budget request to include road realignment work in connection with a *gift* to the state of one of the parcels. Accordingly, we withhold recommendation on the request, pending receipt of a revised statement of scope and cost estimate.

(13) Humboldt Redwoods State Park—working drawings and construct bank protection \$950,000

We recommend approval.

The department is requesting \$950,000 for working drawings and construction needed to implement river bank erosion control measures at Humboldt Redwoods State Park.

Serious erosion is occurring along the South Fork of the Eel River in the 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. This request would provide funds to implement the first phase, based on the results of a bank protection study funded in the Budget Act of 1982. It is estimated that the eventual outlay for the project will total between \$2 million and \$3 million.

We recommend approval because the project is needed to save important redwood groves from further damage.

(14) Indio Hills Palms—acquisition..... \$500,000

We recommend a reduction of \$114,000, and approval in the reduced amount of \$386,000, because the amount requested exceeds the state's appraisal and estimated administrative costs. We further recommend that the Legislature adopt Budget Bill language making the use of funds contingent on the department reaching agreement with the County of Riverside calling for the county to operate and maintain the project for a minimum of 25 years at no additional cost to the state.

The department is requesting \$500,000 for Phase II of a two-phased acquisition project at Indio Hills Palms in Riverside County. Indio Hills Palms consists of undeveloped desert mountain lands on which three natural palm oases are located. The department requested \$975,000 in the

DEPARTMENT OF PARKS AND RECREATION—CAPITAL OUTLAY—Continued

1983 Budget Bill for Phase II acquisitions, but deleted the request in a subsequent Budget Change Letter. Phase II has since been downscoped from 1,825 acres to 625 acres which currently are in private ownership.

Riverside County owns 2,209 acres which are contiguous to the project. The Bureau of Land Management (BLM) also owns 2,160 acres *within* the boundaries of the project.

The department acquired 1,857 acres from the County of Riverside in 1983 for Phase I of the project, at a cost of \$695,000. At the time the Phase I appropriation was approved by the Legislature, there was an understanding that the lands owned by BLM (which are needed to allow an integrated operation of the project) would be transferred to state ownership and that the county would operate and maintain the project at no added cost to the state. The Phase I appropriation included language in the 1982 Budget Act requiring that the department consummate an agreement with the County of Riverside calling for the county to operate and maintain the project at no additional cost to the state.

In response to the Budget Act language, the department entered into an operating agreement with the county for a term of only five years, with the county given the *unqualified* right to terminate the agreement upon two years' notice. Operating agreements for other state park units generally are for terms of 25 years or more. In view of this and the department's assurances during budget hearings that the state would not incur any operating costs for the properties, we recommend that the Legislature add the following Budget Bill language to Item 3790-301-036:

"No funds appropriated in category (14) of this item for the acquisition of Indio Hills Palms shall be encumbered for land purchases unless and until (a) the department makes a written application for transfer of ownership to the state of federal lands within the project boundaries, and (b) an agreement is entered into with the County of Riverside for the county to operate and maintain the project for a minimum of 25 years at no additional cost to the state."

Finally, the amount budgeted for the project should be revised to agree with the state's appraisal and estimated administrative costs, and to eliminate an excessive estimate for property value appreciation. Specifically, we recommend a reduction of \$114,000, and approval in the reduced amount of \$386,000.

(15) John Marsh Home—restoration \$1,300,000

We withhold recommendation on \$1,300,000 requested because no information on this project has been provided to the Legislature.

This request of \$1,300,000 is for restoration of the John Marsh home, which is an historic project located 10 miles east of Mount Diablo in Contra Costa County.

Chapter 1339, Statutes of 1978 appropriated \$1.5 million for development and restoration of the home. Approximately \$134,000 was spent for restoration, planning, emergency stabilization of the building, and working drawings. As late as 1983, working drawings had not been completed because of difficulties experienced by the department in complying with the terms of the appropriation and because of scope changes made by the department. The unencumbered balance of the appropriation, \$1,366,000, was reverted to the General Fund by Ch 10x/83.

At the time this *Analysis* was prepared, the Office of the State Architect

had not prepared a cost estimate and the department had not provided any information to the Legislature regarding the request.

We withhold recommendation on \$1,300,000 requested for this project pending receipt of a complete budget proposal, including the State Architect's cost estimate, from the department.

**(16) Malakoff Diggins State Historic Park—
sediment runoff study \$75,000**

We recommend approval.

The budget requests \$75,000 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 believe the scope and cost of the project are reasonable, and recommend approval.

(17) Minor Projects \$3,800,000

We recommend (1) a reduction of \$890,000 requested for various minor projects that are unjustified or overbudgeted, and approval in the reduced amount of \$710,000, and (2) the department report at budget hearings on the backlog of minor projects and the extent to which the funds requested for 1984-85 will enable it to reduce the backlog. We withhold recommendation on \$2,000,000 requested for statewide minor projects, pending receipt of this report. We withhold recommendation on \$200,000 requested for retrofit of visitor services facilities, pending a project rescope.

The department is requesting \$3,800,000 for the following minor projects:

(a) Handicapped retrofit	\$200,000
(b) Enroute camping	100,000
(c) Retrofit visitor services facilities.....	200,000
(d) Statewide minor projects	2,000,000
(e) Statewide volunteer projects.....	300,000
(f) Natural systems rehabilitation	900,000
(g) Energy conservation retrofits	100,000
Total.....	\$3,800,000

Facilities for the Handicapped. The budget requests \$200,000 for Phase IV of a four-year program designed to increase the accessibility of 64 park units to the physically handicapped. Phase IV calls for the retrofitting of facilities at 16 park units in 1984-85. 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 these projects.

Enroute Camping Projects. This project provides \$100,000 for minor improvements in the budget year to day-use parking areas at six park units to permit enroute camping by self-contained recreational vehicles. This is Phase III of a three-phase program intended to provide a needed service at relatively low cost, while at the same time increasing state park revenues. We recommend approval of this project.

Retrofit Visitor Services Facilities. The department requests

DEPARTMENT OF PARKS AND RECREATION—CAPITAL OUTLAY—Continued

\$200,000 in the budget for modifications at park facilities that will increase the collection of fees. This is the second phase of a three-phase program. At the time this *Analysis* was prepared, the department was in the process of rescoping its request. We withhold recommendation on these projects, pending receipt of a rescoped budget package.

Statewide Minor Projects. The department requests \$2,000,000 for minor projects throughout the state park system in 1984–85. These minor capital outlay projects (\$200,000 or less) provide for:

- (a) repairs to water, electrical, and sewer systems,
- (b) erosion control, boundary fencing, and resource protection,
- (c) minor restoration of historic structures, and
- (d) replacement of small bridges and restroom facilities.

No funds were appropriated for these types of projects in the 1983 Budget Act. Moreover, \$960,000 appropriated for minor projects in the 1982 Budget Act was redirected for storm damage repairs.

Our analysis indicates that the department has accumulated a substantial backlog of minor capital outlay needs that are not addressed fully by the 1984–85 request. For example, last year the department identified more than \$3 million of minor projects needed throughout the state park system. In view of the above, we withhold recommendation on \$2,000,000 requested for minor projects. We further recommend that the department report at budget hearings on the extent of the backlog and how it intends to address it.

Volunteer Projects. The department requests \$300,000 for volunteer projects. The documentation in support of this request does not identify any specific projects to be accomplished. For this reason, we are unable to document the need for these funds. Moreover, we believe that the department has sufficient flexibility in its support budget to provide staff supervision and materials for high-priority volunteer efforts that may be identified in the budget year. For these reasons, we recommend deletion of \$300,000 requested for volunteer projects.

Natural Systems Rehabilitation. The budget requests \$900,000 for various projects intended to restore and rehabilitate natural areas in state park units. We recommend reductions totaling \$590,000, and approval in the reduced amount of \$310,000, as follows:

(a) Delete \$290,000 for hydrology study and wetlands restoration at Pescadero Marsh in San Mateo County, because:

- Funding for a hydrology study at the marsh is included in the department's support budget.

- This request is premature. The study, which must be conducted during the rainy season, has not started, due to the Governor's freeze on consultant contracts. Thus, the study results will not be available until late in 1984–85 fiscal year, at the earliest. The scope of the wetlands restoration depends on the study results.

- This is not a minor capital outlay project, as defined by the 1983 Budget Act and the Governor's Budget for 1984–85, since the cost exceeds \$200,000.

(b) Delete \$300,000 for "coastal protection." The department requested capital outlay funds for these coastal dune and bluff erosion control projects in 1982–83 and 1983–84. Each time, the Legislature deleted the funds because the department had not provided sufficient information on the work to be undertaken, how the work would be accomplished, and the approximate costs of the projects. We recommend deletion of the \$300,000

requested for these projects in 1984-85 because (1) these are resource preservation projects that normally are funded in the department's support budget, not as minor capital outlay projects and (2) the department has again failed to provide sufficient information on either the projects themselves, how the work would be accomplished, or the approximate costs of the projects.

Energy Conservation Projects. The budget requests \$100,000 in 1984-85 for a continuing energy efficiency program which includes the installation of low pressure sodium lighting at various locations, motion sensor-controlled lighting in museum exhibit areas, and insulation of hot water heaters and lines. The proposed request appears reasonable in scope and cost, and therefore we recommend approval of the funds.

(18) Mokelumne River Project—Acquisition..... \$200,000.

We recommend deletion of the \$200,000 requested for this project because the Wildlife Conservation Board has funds which could more appropriately be used for this project.

The department is requesting \$200,000 to acquire 31 acres, immediately upstream from where the State Highway 49 bridge crosses the Mokelumne River. The town of Jackson is approximately four miles to the north on Highway 49.

The department's justification for acquisition is the need to preserve the three-mile "electra white water run" for recreational rafting. The subject property is the downstream river access and takeout point for rafting on the river. The upstream entry is at the Pacific Gas and Electric Company's Electra Power Plant. The stream traverses lands administered by the U.S. Bureau of Land Management until it enters the privately-owned lands proposed for acquisition. The U.S. Bureau of Land Management has indicated that it would operate and maintain the project if the state would acquire the 31 acres at the bridge.

Because this stretch of the Mokelumne River could benefit from improved access for both fishing and rafting, and because the BLM will operate the project, it qualifies for acquisition by the Wildlife Conservation Board. The project should not be funded by the Department of Parks and Recreation, however, because it is not of sufficient statewide significance to be added to the state park system.

As a consequence, we recommend that the project be authorized for funding, using the appropriation to the Wildlife Conservation Board from the Wildlife Restoration Fund in Item 3640-301-447. In addition, the amount should be reduced to \$175,000 to reflect the state's appraisal and related administrative costs.

(19) Mt. San Jacinto State Park—acquisition \$400,000

We recommend that the fiscal subcommittees direct the department to downscope the project, and that the item be reduced accordingly, because the budget request is inadequate to carry out the current scope and the project purpose can be achieved with a reduced scope.

The department requests \$400,000 for acquisition of approximately 198 acres located on the southern boundary of Mount San Jacinto State Park in Riverside County. The acquisition is proposed in order to protect the wilderness setting in the vicinity of an existing trail to the park. The trail originates on adjacent U.S. Forest Service lands, and passes through this privately owned parcel.

The amount requested in the Budget Bill is not sufficient to cover the

DEPARTMENT OF PARKS AND RECREATION—CAPITAL OUTLAY—Continued

state's appraisal and estimated administrative costs. Our analysis indicates that a smaller acreage could be acquired, within the amount requested, and still achieve the objective of protecting the trail. Accordingly, we recommend that the fiscal subcommittees direct the department to downscope the project, and that Item 3790-301-036 be reduced accordingly.

**(20) Pfeiffer Big Sur State Park—working drawings
and construct sewage treatment improvements \$230,000**

We recommend a reduction of \$10,000, and approval in the reduced amount of \$220,000 to reflect the State Architect's cost estimate.

The department is requesting \$230,000 to provide covered sludge-drying beds, standby generating equipment, and other improvements to the existing sewage treatment plant operated by the department at Pfeiffer Big Sur State Park. The improvements are needed to meet requirements imposed by the Central Coast Regional Water Quality Control Board.

We recommend a reduction of \$10,000, and approval in the reduced amount of \$220,000, in order to reflect the State Architect's cost estimate.

(21) Point Sur Lighthouse—acquisition \$500,000

We recommend deletion of the \$500,000 requested for this project because (1) the amount requested is excessive and (2) the department should first pursue the possibility of a transfer or discount purchase of this federally owned property.

The department is requesting \$500,000 for the acquisition of Point Sur on the Big Sur Coast in Monterey County. The proposed acquisition consists of 47 acres, which includes the entire point, as well as the lighthouse and ancillary buildings. The current owner, the U.S. Coast Guard, would retain the lighthouse itself, which has been automated since 1972. The site is adjacent to the Little Sur Project—a funded state park acquisition that is currently in negotiation—and would be an excellent addition to the project.

The designation of Point Sur as surplus to federal needs is being considered by the General Services Administration (GSA). If declared surplus, the property would be offered to interested state and local governments and eligible nonprofit groups. Under federal regulations, Point Sur would be eligible for transfer to the state or for a negotiated discount sale to the state, as determined by the GSA. The National Park Service already has recommended to GSA that Point Sur be conveyed to the Department of Parks and Recreation.

Our analysis indicates that the Budget Bill request is excessive and probably unnecessary. The request is based on an appraisal that assumes a highest and best use for the property that is incompatible with restrictions that would be placed on the property if it were conveyed to the state. On this basis, we recommend deletion of the funds. In lieu of the budget proposal, the department should seek a transfer or discount purchase of Point Sur. If it becomes apparent later that funds are needed to purchase the parcel, the department has numerous options available for obtaining these funds, including the use of funds in category (26) of this item that are provided for opportunity purchases.

(22) Preliminary Planning \$250,000

We recommend a reduction of \$125,000, and approval in the reduced amount of \$125,000, because "resource and interpretive planning" should continue to be financed from the department's support budget.

Each year, the department requests funds to reimburse the Office of the State Architect for the preparation of preliminary plans and cost estimates needed for capital outlay budget requests.

The Department of Finance indicates that only \$125,000 of the \$250,000 requested in this sub-item is for preliminary planning. The additional \$125,000 is requested for a new "resource and interpretive planning" program. Under this program, the department's cultural resources, natural heritage, and interpretive services sections will conduct studies designed to contribute information that would be used in the preparation of plans for various capital outlay projects.

This is the first time the department has requested capital outlay funds for this work, which it has heretofore funded from its support budget. We find no justification to either (1) increase the amount of funds available for this purpose, or (2) shift the source of funds from support to capital outlay. We therefore recommend deletion of funds requested for resource and interpretive planning, and approval of funds for preliminary planning in the reduced amount of \$125,000.

(23) San Diego Coast State Beaches—construct day use parking and rehabilitation..... \$1,779,000

We recommend a reduction of \$41,000, and approval in the reduced amount of \$1,738,000 to reflect the State Architect's cost estimate. We further recommend that the Legislature adopt Budget Bill language reverting savings from the prior-year appropriation for this project.

The budget requests \$1,779,000 for rehabilitation of day use and parking facilities at Moonlight, North Cardiff, and South Cardiff State Beaches in San Diego County. This amount would be in addition to \$1,683,000 appropriated by the Legislature in the 1983 Budget Act. In appropriating these funds, the Legislature recognized that additional funds would be necessary to complete the project.

The requested funds would be used for construction at South Cardiff Beach. The 1983-84 appropriation provided working drawing funds for all three beaches, and construction funds for North Cardiff and Moonlight Beaches.

We recommend a reduction of \$41,000, and approval in the reduced amount of \$1,738,000 in order to reflect the State Architect's cost estimate. We further recommend that appropriation of 1984-85 funds be made contingent on the reversion to the Parklands Bond Fund of 1980 of \$525,000 of savings from the 1983-84 appropriation.

The State Public Works Board approved the preliminary plans for this project on December 15, 1983, with the understanding that \$525,000 in project savings would be available for reversion. A reversion item for this money should be added to the Budget Bill, and the following budget language should be added to Item 3790-301-036:

"The amount appropriated in category (23) of this item for the San Diego Coast State Beaches shall be contingent on the amount reverted by this Budget Act from the appropriation made by Item 3790-301-721(h), of the Budget Act of 1983. To the extent that the funds so reverted are less than \$525,000, the amount appropriated in category (23) of this item shall be reduced accordingly."

DEPARTMENT OF PARKS AND RECREATION—CAPITAL OUTLAY—Continued**(24) San Mateo Coast State Beaches—construct access improvements \$908,000**

We recommend approval. We further recommend that the fiscal subcommittees direct the department to downscope the project to be consistent with the amount requested in the Budget Bill.

The department is requesting \$908,000 to construct parking facilities, a contact station, restroom facilities, and improved beach access at Montara State Beach in San Mateo County. The language in this item should be amended to include working drawings, which are also being requested.

The department's budget package requests \$24,000 more than the amount in the Budget Bill. Our analysis indicates that the amount in the Budget Bill is adequate to carry out the project. We therefore recommend approval of \$908,000. A total of \$24,000 requested in the budget package for cultural resource management and interpretive services can be deleted without affecting the essential elements of the project. We therefore recommend that the fiscal subcommittees direct the department to delete \$24,000 for these services from the project scope.

(25) Seccombe Lake State Urban Recreation Area—Phase II development \$4,300,000

We withhold recommendation on \$4,300,000 requested for this project because the department has not provided the Legislature with detailed cost estimates.

The department is requesting \$4,300,000 in 1984–85 for Phase II development at Seccombe Lake State Urban Recreation Area in the City of San Bernardino. This request represents 10 percent of the department's proposed capital outlay program for the budget year.

The Legislature appropriated \$4,257,000 in the 1983 Budget Act for acquisition, working drawings and Phase I construction. It also appropriated \$750,000 in the 1982 Budget Act for a local assistance grant to the City of San Bernardino for lake restoration. In addition, approximately \$3,100,000 from various appropriations has been spent or remains available for acquisition and planning costs. Thus, a total of approximately \$8.1 million has been committed for this project to date.

The general plan prepared by the city estimated that, *as of 1981*, total development costs for the project would be \$14 million. Based on this estimate, and considering development funds already committed, an additional \$10 million would be needed to complete the project as planned. This figure is subject to considerable uncertainty, however, because it is now three years old and because changes in project scope may affect project costs.

The department has not provided the Legislature with a recent estimate of ultimate project costs, nor has the department provided the Legislature with a detailed cost estimate to support its 1984–85 request. In fact, the department has not even provided the Legislature with detailed cost estimate for the *current-year* phase of the project. The only justification provided for this budget request is a general description and layout of the proposed Phase II development.

The Legislature needs better information on this project in order to insure that the project will be carried out in a cost-effective manner and

in accord with legislative intent. Accordingly, we withhold recommendation on the \$4.3 million, pending receipt of detailed cost estimates for Phases I and II, and updated information on the ultimate scope and costs for this project.

(26) Statewide acquisition costs, pre-budget appraisals, inholding and opportunity purchases \$850,000

We recommend approval of \$850,000. We further recommend that the language in the item be amended to schedule amounts separately for these four purposes, in keeping with previous budgetary practice.

According to the Department of Finance, the \$850,000 requested under category 26 would be used as follows: (1) \$115,000 for acquisition costs, (2) \$95,000 for pre-budget appraisals, (3) \$320,000 for purchases of park inholdings, and (4) \$320,000 for opportunity acquisitions.

Acquisition costs. This amount (\$115,000) is intended to cover costs of long-range acquisition planning and staff costs associated with the processing of property exchanges and gifts. (Staff costs for *funded* acquisitions are paid out of amounts appropriated for individual projects.)

Pre-budget appraisals. This amount (\$95,000) is to reimburse the Department of General Services for the preparation of property appraisals. These appraisals are required before the Department of Parks and Recreation may request acquisition appropriations.

Inholding purchases. This amount (\$320,000) is for the purchase of isolated private parcels within the boundaries of existing park units. These private parcels often present significant problems for park operations.

Opportunity purchases (\$320,000). On occasion, small properties which are contiguous to state park units become available to the state. In order to take advantage of such opportunities and to prevent incompatible development of the properties, the Legislature normally provides the department with an appropriation which permits opportunity purchases to proceed quickly.

Our analysis indicates that the above requests are justified, and we recommend that the full amount be approved. Because these are discrete activities, however, they should be scheduled separately in the Budget Bill, in keeping with the practice observed in prior Budget Acts. We therefore recommend that category (26) be revised to schedule amounts separately for the four purposes discussed above.

(27) Statewide Storm Damage Repairs \$1,030,000

We recommend approval. We further recommend that the Legislature adopt supplemental report language requiring the department to report annually to the Legislature on storm damage repairs and federal reimbursements received for these repairs.

The department is requesting \$1,030,000 in 1984-85 for storm damage repairs. According to the department, the winter storms of 1982-83 caused approximately \$6,000,000 in damages to state park facilities. During 1982-83 and the current year, the department will spend an estimated \$2,000,000 for repairs caused by the 1982-83 storms.

Most of the repairs, upon completion, will be eligible for a 75 percent matching reimbursement from the Federal Emergency Management Agency. Thus, the proposed appropriation may be leveraged to provide for repairs costing up to \$4,000,000. In view of this, we believe the proposed amount will be adequate to allow the department to address the highest priority damages. We therefore recommend approval of the request.

DEPARTMENT OF PARKS AND RECREATION—CAPITAL OUTLAY—Continued

The Legislature should be kept informed on the progress achieved in repairing storm damage and obtaining federal reimbursements. Accordingly, we recommend that the Legislature adopt the following supplemental report language:

“The department shall provide annually, by January 1, to the fiscal committees and the Joint Legislative Budget Committee the following information on storm damage repairs:

- “(1) an accounting of projects commenced and projects completed during the preceding 12 month period, including amounts spent or encumbered, and funding sources;
- “(2) an assessment, by project, of storm damage repair needs; and
- “(3) an accounting of federal reimbursements received for storm damage projects during the preceding 12 month period.

“It is the understanding of the Legislature that the expenditure of any federal reimbursements received for storm damage repair projects shall be subject to legislative review, pursuant to Section 28.00 of the Budget Act of 1984, or the analogous section contained in other budget acts, as appropriate.”

(28) Statewide Pier Inspections \$205,000

We recommend a reduction of \$105,000, and approval in the reduced amount of \$100,000, because the department has not justified the full amount requested.

The department is requesting \$205,000 to conduct a survey of the structural stability of 18 piers owned by the department during 1984–85. The department indicates that an undetermined portion of the funds may be used for working drawings and construction.

We believe that a structural survey of state-owned piers is warranted in the wake of the major storms experienced in 1982–83. The department, however, has not provided any information to the Legislature that would justify the use of funds for construction. Accordingly, we recommend a reduction of \$105,000, and approval in the reduced amount of \$100,000, with the funds restricted to pier *inspections*. Our analysis indicates that \$100,000 will be adequate to provide for the pier inspections. The department has other funds in its support and capital outlay budgets that can be used for emergency repairs to piers.

(29) Statewide replacement or rehabilitation of existing facilities \$2,500,000

We withhold recommendation on \$2,500,000 requested for replacement and rehabilitation of existing facilities, pending receipt of the State Architect’s cost estimates and a final rescoping of the request.

The budget requests \$2,500,000 for replacement and rehabilitation of existing facilities at various state park units. In recent years, the department’s capital outlay programs have focused on new acquisitions and development projects, neglecting the need to rehabilitate many older facilities at existing park units.

We believe the department should be redirecting the emphasis of the capital outlay program to the rehabilitation of existing facilities. Nevertheless, we withhold recommendation on the request, pending final decisions

by the department on the projects to be funded and receipt of the State Architect's cost estimates and plans.

(30) Woodson Bridge SRA—erosion control study \$12,000

We recommend approval.

The budget requests \$12,000 for an update by the Department of Water Resources of a 1979 river bank erosion study at Woodson Bridge State Recreation Area on the Sacramento River in Tehama County. Currently, bank erosion at the recreation area is threatening a campground and many of the trees along the river. The study update is needed to assess the potential upstream and downstream effects of erosion control measures planned by the department. Accordingly, we recommend approval of the request.

(31) Design and construction planning

We recommend the addition of category (31) to Item 3790-301-036 for design and construction planning, and the appropriation of \$2,000,000 for this purpose.

The department is requesting \$2,000,000 for design and construction planning from the 1980 Park Bond Fund. These funds would be transferred to the department's support budget (Item 3790-001-001) to fund the staff working on design and construction planning of development projects. As discussed in our analysis of Item 3790-301-721, the 1980 Park Bond Fund is *overappropriated* by \$6.1 million. We therefore recommend an augmentation to the appropriation from the Special Account for Capital Outlay (SAFCO) to replace the funding proposed from the bond fund. The SAFCO is an appropriate funding source for this purpose, and will have a reserve of \$10.6 million on June 30, 1985, according to the budget document.

Supplemental Report Language

For purposes of project definition and control, we recommend that supplemental report language be adopted by the fiscal subcommittees that describes the scope of each of the capital outlay projects approved under this item.

Savings Resulting from Recommendations Should be Transferred to General Fund.

We recommend transferring the net savings resulting from our recommendations on Item 3790-301-036—\$4,318,000—from the Special Account for Capital Outlay to the General Fund.

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 transferring the savings resulting from approval of our recommendations to the General Fund.

**DEPARTMENT OF PARKS AND RECREATION—CAPITAL
OUTLAY**

Item 3790-301-263 from the Off-
Highway Vehicle Fund

Budget p. R 145

Requested 1984-85	\$5,710,000
Recommendation pending	5,710,000

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

*Analysis
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1. All Projects. Withhold recommendation on all projects, pending receipt of updated budget packages and State Architect's cost estimates and plans. 742
2. Supplemental Report. Recommend adoption of Supplemental Report language that describes the scope of each project approved in this item. 743

ANALYSIS AND RECOMMENDATIONS

The budget proposes \$5,710,000 from the Off-Highway Vehicle Fund in 1984-85 for capital outlay projects in the State Vehicular Recreation Area and Trail System. The Off-Highway Motor Vehicle Recreation Commission, established by Ch 994/82, must review and approve all proposed capital outlay expenditures from the fund before they may be included in the budget. The commission reviewed and approved the projects requested in this item at its meeting of September 23, 1983.

We withhold recommendation on projects 1, 2 and 3 and \$5,383,000, pending receipt of the State Architect's cost estimates.

**(1) Carnegie State Vehicular Recreation Area—
construct initial development \$2,893,000**

The budget requests \$2,893,000 for construction of facilities at Carnegie SVRA, located on the border of Alameda and San Joaquin Counties. Specifically, the project includes a campground, picnic area, restrooms, entrance station, maintenance building, and landscaping. The Legislature appropriated \$330,000 in the 1983 Budget Act for working drawings for this project.

At the time this *Analysis* was prepared, the State Architect's detailed cost estimates and plans had not been provided to the Legislature.

**(2) Hungry Valley SVRA—working drawings
and construct day-use facilities \$872,000**

The department is requesting \$872,000 in 1984-85 for working drawings and the construction of day-use facilities at Hungry Valley SVRA, located near Gorman in the northwest corner of Los Angeles County. Specifically, this request provides for an orientation area (including a first aid station); a water system, entry road, and fencing at the Quail Canyon Special Events Area; and a new maintenance building. The Legislature appropriated \$435,000 from the Off-Highway Vehicle Fund for capital outlay projects at Hungry Valley in Ch 1298/83.

At the time this *Analysis* was prepared, the State Architect's cost estimates and plans for the work funded by Ch 1298/83 and for the 1984-85 request had not been provided to the Legislature.

(3) Ocotillo Wells SVRA—construct initial development \$1,618,000

The department is requesting \$1,618,000 in 1984-85 for development of administrative, maintenance, and day-use facilities at Ocotillo Wells SVRA in northeastern San Diego County. The Legislature appropriated \$113,000 in the 1983 Budget Act for working drawings for this project. The 1984-85 request would provide construction funds for (a) headquarters office, (b) first aid facilities, (c) restroom, (d) maintenance building, (e) entrance station, and (f) employee residence area.

At the time this *Analysis* was prepared, the State Architect's cost estimate and plans for this project had not been provided to the Legislature.

(4) Minor projects \$327,000

We withhold recommendation on \$327,000 requested for minor projects, pending receipt of information from the department regarding these projects.

The budget requests \$327,000 for minor capital outlay projects in the State Vehicular Recreation Area and Trail System. At the time this *Analysis* was prepared, the department had not provided the Legislature with any information regarding this request. We withhold recommendation pending receipt of information needed by the Legislature to evaluate the projects to be undertaken and the basis for the amount requested.

Supplemental Language

For purposes of project definition and control, we recommend that supplemental report language be adopted by the fiscal subcommittees that 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

Budget p. R 145

Requested 1984-85	\$2,000,000
Recommended reduction	2,000,000

ANALYSIS AND RECOMMENDATIONS

(1) Design and construction planning \$2,000,000

We recommend deletion of this appropriation because the Parklands Fund of 1980 is overappropriated. We further recommend appropriation of these funds in Item 3790-301-036 (Special Account for Capital Outlay).

The department is requesting \$2,000,000 from the Parklands Fund of 1980 for design and construction planning. These funds would be transferred to the department's support budget (Item 3790-001-001) to fund the staff working on design and construction planning of development projects.

The fund condition statement in the budget for the Parklands (Bond) Fund of 1980 projects a zero balance in the fund as of June 30, 1985. The projection assumes, however, that a \$3,000,000 appropriation from the 1980 Bond Fund will be shifted to the 1974 Bond Fund and that \$5,117,000

DEPARTMENT OF PARKS AND RECREATION—CAPITAL OUTLAY—Continued

in previously approved funds will be reverted as a result of "unidentified savings". In other words, the 1980 Park Bond Fund currently is *overappropriated* by approximately \$6.1 million. If the fund remains overappropriated, at some point projects that already have been funded by the Legislature will have to be abandoned or cut back.

Consequently, we cannot recommend approval of further appropriations from the 1980 Bond Fund. We therefore recommend deletion of the \$2,000,000 requested in Item 3790-301-721. In its place, we recommend an augmentation to Item 3790-301-036 (Special Account for Capital Outlay) for design and construction planning.

DEPARTMENT OF PARKS AND RECREATION—CAPITAL OUTLAY

Item 3790-301-733 from the
State Beach, Park, Recreational,
and Historical Facilities
Fund of 1974

Budget p. R 145

Requested 1984-85	\$300,000
Recommended approval	300,000

ANALYSIS AND RECOMMENDATIONS

(1) **Design and construction planning** **\$300,000**

We recommend approval.

These funds would be transferred to the department's support budget (Item 3790-001-001) to fund the staff working on design and construction planning of development projects.

DEPARTMENT OF PARKS AND RECREATION—CAPITAL OUTLAY

Item 3790-301-742 from the
State, Urban, and Coastal
Park Fund

Budget p. R 145

Requested 1984-85	\$4,775,000
Recommended approval	3,377,000
Recommended reduction	398,000
Recommendation pending	1,000,000

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

Analysis page

1. *El Presidio de Santa Barbara SHP—Acquisition. Reduce by \$135,000.* Recommend reduction to eliminate over-budgeting for property value appreciation. Also, recommend adoption of an amendment to the Budget Bill and a

745

- report to the fiscal subcommittees regarding this project.
2. McGrath SB—Campground addition. Withhold recommendation on \$1,000,000, pending receipt of State Architect's cost estimate. 747
 3. *Santa Monica Mountains—Day-Use and Camping. Reduce by \$263,000.* Recommend reduction because (a) Budget Bill request exceeds State Architect's cost estimate by \$23,000 and (b) department has not justified \$240,000 requested for nonconstruction items. 747
 4. Design and construction planning. Recommend approval. 748
 5. Supplemental Report. Recommend adoption of supplemental report language to describe scope of each project approved under this item. 748

ANALYSIS AND RECOMMENDATIONS

The budget proposes \$4,775,000 from the State, Urban, and Coastal Fund (1976 Bond) in 1984-85 for the department's capital outlay program. The request includes funds for two major development projects, one major acquisition project, and for design and planning purposes.

**(1) El Presidio de Santa Barbara State Historic Park—
acquisition \$2,000,000**

We recommend (1) a \$135,000 reduction in the amount requested to eliminate overbudgeting for property value appreciation and (2) adoption of Budget Bill language (a) requiring that acquisition be from willing sellers only and (b) prohibiting augmentation of the appropriation by the State Public Works Board. We further recommend that the department (1) present to the fiscal subcommittees during budget hearings a proposed new contract for the operation of El Presidio de Santa Barbara that provides for the deposit of net revenues in the State Parks and Recreation Fund and (2) report to the fiscal subcommittees (a) the results of the public hearing on this project required by Public Resources Code Section 5006.1 and (b) why the hearing was not held before the budget was submitted.

The department is requesting \$2,000,000 in 1984-85 for the acquisition of two parcels, totaling 0.74 acre, in the City of Santa Barbara as additions to El Presidio de Santa Barbara State Historic Park. The parcels are located within the original boundaries of the historic Presidio. The Presidio boundaries overlie a four square block area in downtown Santa Barbara that consists, at present, mostly of commercial and residential buildings.

Since 1966, the department has acquired a total of 3.09 acres for the project, at a cost of approximately \$2.2 million. The Legislature appropriated \$350,000 in the 1983 Budget Act for acquisition of an additional 0.63 acre. If the proposed 1984-85 acquisitions are made, an estimated 3.6 acres still will be needed to complete the project.

The state-owned properties at El Presidio de Santa Barbara are operated by the Santa Barbara Trust for Historic Preservation through a concession contract and an operating lease with the department that expire on June 30, 1984. Under the contracts, the trust is provided with rent-free offices and is allowed to retain rental and lease revenues from the state-owned property. These revenues are estimated at \$188,000 during 1983-84, of which \$106,000 has been budgeted by the trust for administrative expenses. Based on the information provided to us by the department, it is unclear whether these expenses are limited to administra-

DEPARTMENT OF PARKS AND RECREATION—CAPITAL OUTLAY—Continued

tion of the state-owned parcels or include the cost of other activities as well. The trust will receive an undetermined amount of revenues from properties to be acquired by the state in the current year. In addition, the trust would receive an estimated \$158,000 of annual revenues from the properties proposed in the 1984-85 request. The trust also owns and operates the valuable El Paseo restaurant and shop complex in downtown Santa Barbara.

Net revenues received by the trust are dedicated toward reconstruction of the Presidio. With these funds, the Trust has restored El Cuartel (the small guardhouse) and the Padre's quarters, and is completing reconstruction of the Chapel. Most of the Presidio reconstruction, however, has not begun. The long-range plan submitted to the department by the Trust envisions a phased reconstruction and development effort lasting through 1997, at an estimated cost of \$16 million.

Under the current operating contracts, the trust essentially is using state funds to finance its administrative costs and the Presidio reconstruction. Yet, neither the department nor the Legislature has exercised control over these expenditures through the Budget.

The El Presidio Project represents a major ongoing financial commitment by the state. Consequently, we believe that net revenues from the state acquisitions should be deposited in the State Treasury and expenditures for reconstruction should be appropriated through the Budget Act, as is customary for other state projects. Accordingly, we recommend that the department present to the fiscal subcommittees, for their consideration and approval during budget hearings, a new operating lease and/or concession contract for this project that would replace those now in force after June 30, 1984. The lease or contract should provide for (a) the retention by the lessee of a reasonable amount of revenues for operating and administrative expenses, subject to review and approval by the department, and (b) the deposit of net revenues in the State Parks and Recreation Fund.

The Legislature has clearly expressed its interest in the El Presidio project through prior year appropriations and Budget Act language. A substantial portion of the lands needed for the project have been acquired already. In view of this, we recommend approval of the funds requested for acquisition, with the following modifications:

1. Because our analysis indicates that the department's estimate for property value appreciation is excessive, we recommend a reduction of \$135,000, and approval in the reduced amount of \$1,865,000.

2. Given the extremely high acquisition cost—about \$2.5 million per acre—we recommend that the following Budget Bill language be added to Item 3790-301-742 as a means of limiting the state's financial exposure:

“(a) Funds appropriated for El Presidio de Santa Barbara in category (1) of this item shall be available for acquisition from willing sellers only.

“(b) Notwithstanding the provisions of Government Code Section 16352, the State Public Works Board shall not approve an allocation of funds in augmentation of the appropriation made by category (1) of this item for El Presidio de Santa Barbara.”

Finally, we note that Public Resources Section 5006.1, added by Ch 314/82, requires the department to hold a public hearing *prior* to submitting an appropriation request for the acquisition of property exceeding

\$500,000 in value. Section 5006.1 also requires the department to transmit to the Legislature, *at the time the appropriation is proposed*, summaries of (1) the comments by the public at the hearing and (2) comments by the city or county in which the proposed acquisition is located.

The department has not complied with Section 5006.1 with regard to its proposed acquisition at El Presidio de Santa Barbara. At the time this *Analysis* was prepared, the department had scheduled a hearing for February 16, 1984. The Legislature should have the opportunity to review a summary of comments from that hearing before considering the proposed acquisition. Therefore, we recommend that the department provide to the fiscal subcommittees (1) a report summarizing the results of the hearing and (2) an explanation as to why the hearing was not held before the budget was proposed.

(2) McGrath State Beach—working drawings and construct campground addition \$1,000,000

We withhold recommendation on the \$1,000,000 requested for this project, pending receipt of the State Architect's cost estimate and plans.

The budget requests \$1,000,000 for the addition of 88 new campsites, restrooms, utilities, landscaping, and a new entrance road at McGrath State Beach in Ventura County.

At the time this *Analysis* was prepared, cost estimates and schematic plans had not been completed by the State Architect. Thus, we have no basis for evaluating the amount requested.

Accordingly, we withhold recommendation on this request, pending receipt of this information.

(3) Santa Monica Mountains—day-use and camping \$1,500,000

We recommend a reduction of \$263,000, and approval in the reduced amount of \$1,237,000, because (a) the request exceeds the State Architect's cost estimate by \$23,000 and (b) the department has not justified \$240,000 requested for nonconstruction items.

The budget requests \$1,500,000 for working drawings and construction of day-use and camping facilities in the Santa Monica Mountains area. Specifically, the request includes (a) a 30-person walk-in campground with restrooms and picnic facilities at the La Jolla Canyon area of Point Mugu SP, (b) a group picnic area, group camps, and restrooms at the Stokes and Wene Mu areas of Malibu Creek SP, and (c) dredging and rehabilitation of a small reservoir in Malibu Creek SP that is used primarily for fishing and swimming.

The proposed *construction* projects appear reasonable in scope and cost. However, we note that \$341,000, or almost one-fourth of the entire request, is for nonconstruction activities to be performed by the department. These "agency retained items" include work by the department's resources preservation, cultural resources management, and interpretive services sections. Our analysis indicates that the \$140,000 requested for resources preservation and the \$100,000 requested for interpretive services are excessive when compared to the amounts budgeted for these activities in similar types of development projects. For example, the request includes \$105,000 for "vegetation contracts" to plant native grasses and trees on a 20-acre site, at a cost of more than \$5,000 per acre. The department has not adequately justified this and other requests. On this basis, we recommend deletion of \$240,000 requested for interpretive services and resources preservation work. Since this work can be accomplished

DEPARTMENT OF PARKS AND RECREATION—CAPITAL OUTLAY—Continued

independently of the construction projects, the department can submit a future budget request that better substantiates the amounts proposed for this work.

We recommend a further reduction of \$23,000 because the request for construction exceeds the State Architect's cost estimate by that amount.

In summary, we recommend a total reduction of \$263,000, and approval in the reduced amount of \$1,237,000.

(4) Design and Construction Planning \$275,000

We recommend approval.

These funds will be transferred to the department's support budget (Item 3790-001-001) to fund the staff working on design and construction planning of development projects.

Supplemental Language

For purposes of project definition and control, we recommend that supplemental report language be adopted by the fiscal subcommittees that describes the scope of each of the capital outlay projects approved under this item.

DEPARTMENT OF PARKS AND RECREATION—REAPPROPRIATIONS

Items 3790-490 and 3790-491
from various funds

Budget p. R 138 and R 154

ANALYSIS AND RECOMMENDATIONS

We withhold recommendation on the proposed reappropriations, pending receipt of information from the department.

At the time this *Analysis* was prepared, the department had not provided any specific information regarding the status of projects proposed for reappropriation and the need for each proposed reappropriation.

We withhold recommendation on these reappropriations, pending receipt of information from the department.

DEPARTMENT OF PARKS AND RECREATION—REVERSION

Item 3790-495 to various funds

Budget p. R 154

ANALYSIS AND RECOMMENDATIONS

We withhold recommendation on the proposed reversions, pending receipt of additional information from the department.

This item proposes that funds for 47 capital outlay projects be reverted to various funding sources. We withhold recommendation on these reversions, pending the receipt of additional information on the proposed reversions.

Additional Reversions Are Warranted

Our analysis indicates that the following additional reversions should be added to this Item:

Ano Nuevo State Reserve. The Budget Bill requests funding for Phase II of the development project at Ano Nuevo in Item 3790-301-036, without proposing the reversion of \$100,000 in Phase I project savings. Consistent with our recommendation on the Phase II request, we recommend that the following language be added to this reversion item for the Parklands Fund of 1980:

“(22) Item 3790-301-721(q), Budget Act of 1983, Ano Nuevo SP—working drawings and construct entrance road; provided that the amount reverted shall be \$100,000.”

San Diego Coast State Beaches. The State Public Works Board approved preliminary plans for the San Diego Coast State Beaches development project with the understanding that \$525,000 of project savings would be reverted. The Budget Bill, however, does not propose the reversion of project savings from the prior-year appropriation for this project.

Consistent with our recommendation on funds requested for this project under Item 3790-301-036(22), we recommend that the following language be added to this item for the Parklands Fund of 1980:

“(23) Item 3790-301-721(h), Budget Act of 1983, San Diego Coast SB—working drawings and construct day use parking and rehabilitation; provided that the amount reverted shall be \$525,000.”

DEPARTMENT OF PARKS AND RECREATION—REVERSION

Item 3790-496 to the Off-Highway Vehicle Fund and the Parklands Fund of 1980

Budget p. R 138

ANALYSIS AND RECOMMENDATIONS

We withhold recommendation on the proposed reversions, pending receipt of additional information from the department.

This item proposes that funds for 21 local assistance grant projects be reverted to the Off-Highway Vehicle Fund and the Parklands Fund of 1980.

We withhold recommendation on these reversions, pending the receipt of information on the current status of these projects and the amounts available for the proposed reversions.

Resources Agency**SANTA MONICA MOUNTAINS CONSERVANCY**

Item 3810 from the General Fund

Budget p. R 158

Requested 1984-85	\$319,000
Estimated 1983-84	307,000
Actual 1982-83	292,000
Requested increase (excluding amount for salary increases) \$12,000 (+3.9 percent)	
Total recommended reduction	140,000

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONSAnalysis
page

1. **Capital Outlay Workload.** Reduce Item 3810-001-001 by \$88,000. Recommend reduction of 2.0 personnel-years due to a decline in workload for capital outlay projects. 752
2. **Contract Provisions.** Recommend the adoption of Budget Bill language under Item 3810-001-001 requiring the conservancy to include in each contract transferring state property to the National Park Service a provision assuring that the property will be operated and maintained for public park and recreational purposes. 753
3. **Consultant Services.** Reduce Item 3810-001-001 by \$52,000. Recommend deletion of funds for external consultant and professional services because the need for these services has not been established. 754

GENERAL PROGRAM STATEMENT

Chapter 1087, Statutes of 1979, established the Santa Monica Mountains Conservancy and assigned to it the responsibility for implementing the land acquisition program in the Santa Monica Mountains that was prepared by its predecessor, the Santa Monica Mountains Comprehensive

Planning Commission. Under current law, the Santa Monica Mountains Conservancy will go out of existence 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 the same way that the State Coastal Conservancy does. The conservancy has a governing board of seven voting members.

The conservancy, located in Los Angeles, has 9.5 authorized personnel-years of staff in the current year.

OVERVIEW OF THE BUDGET REQUEST

The budget requests an appropriation of \$319,000 from the General Fund for support of the Santa Monica Mountains Conservancy in 1984-85. This is \$12,000, or 3.9 percent, above estimated current-year expenditures. This increase will grow by the amount of any salary or staff benefit increases approved for the budget year.

Staff support is proposed at 9.2 personnel-years in 1984-85, a decrease of 0.3 personnel-years from the current level.

Total proposed support expenditures in 1984-85, including expenditures from reimbursements, are \$530,000, an increase of \$74,000, or 16 percent, above estimated current-year expenditures. (This increase makes no allowance for \$301,000 in additional reimbursements for project planning and design that *may* be authorized for the current year in accordance with 1983 Budget Act language. If the additional reimbursements are authorized, total support expenditures estimated for 1983-84 would increase to \$757,000.)

The major increases in the conservancy's budget proposed for 1984-85 include (1) \$52,000 for external consultant services, and (2) \$14,000 for salary to support a new permanent position.

ANALYSIS AND RECOMMENDATIONS

Capital Outlay Funding History

Since its creation in 1979, the conservancy has received a total of \$15,088,000 in capital outlay funds, including funds for project planning and design. Due to the unusual flexibility that the Legislature has given it, the conservancy also has been able to make local assistance grants from its capital outlay appropriations.

Through 1982-83, the conservancy spent a total of \$8,800,000 for capital outlay, including \$179,000 for project planning and design. The budget shows all of the remaining capital outlay funds, totaling \$6,282,000, as being spent in the current year.

Revolving Fund Program is Standing Still

The conservancy applies the term "revolving fund project" to the acquisition of properties that it eventually plans to sell for controller development purposes. The conservancy can employ a number of methods to acquire and resell property at a profit while providing for land uses that further the goals of the Santa Monica Mountains comprehensive plan. These methods include (1) consolidation of small lots, (2) dedication of scenic easements and open space, (3) less-than-fee gifts of land, (4) tax-deeded property purchase and resale, and (5) the right of first refusal to

SANTA MONICA MOUNTAINS CONSERVANCY—Continued

acquire surplus public lands at nearly the original cost.

The conservancy's revolving fund land acquisition program has been focused primarily on the Runyon Canyon project. In 1982-83, the conservancy awarded a grant of approximately \$4.1 million to the City of Los Angeles for purchase of 133 acres at Runyon Canyon. The city has not spent any of the grant monies because acquisition of the property has not been completed. According to the conservancy, the grant agreement with the city provides that up to 13 acres will be deeded to the conservancy after the purchase is completed and the city assumes title to the remaining property. The conservancy plans to build a clustered housing development on approximately three acres of the property at the lower end of the canyon. The conservancy then expects to sell the housing development and recover most of its investment.

Until the property is actually sold to the city and the conservancy gains title to a portion of the acreage, the conservancy will be unable to move forward on its revolving fund project. According to information provided by conservancy staff, closure on the revolving fund portion of the project could take two years or more from the time of escrow. In addition, the city will have to provide funds to clean-up the canyon and make major improvements necessary to operate the canyon as a public park. These requirements could further delay the conservancy project.

According to its staff, the conservancy owns approximately 30 to 40 small parcels of tax delinquent properties that potentially could be resold. Since some of these properties are still in escrow, there is no definite schedule for their disposal.

The conservancy also is negotiating potential revolving fund projects involving (1) the sale of Peter Strauss Ranch to the National Park Service for 50 percent of its purchased value, (2) surplus property owned by the City of Los Angeles that the conservancy has the right of first refusal to purchase, and (3) disposition of the Wilacre Estates property.

To date, the conservancy has yet to fully implement a project under its revolving fund land program. It maintains that 2.25 personnel-years are needed to complete its 1984-85 revolving fund land program. Since all of the projects identified by the conservancy are pending, with no definite time schedule for implementation, the extent of the revolving fund workload in 1984-85 cannot be substantiated. Given the absence of any reasonably definite projects for 1984-85, however, the staffing level proposed by the conservancy seems excessive.

Diminishing Workload for Remaining Capital Outlay Projects

We recommend deletion of \$88,000 and two positions because of diminishing workload.

Although the budget does not request *any* funds for capital outlay projects in 1984-85, it proposes to maintain conservancy staff at essentially the current level. We recognize that some current-year projects undoubtedly will require staff attention in 1984-85. The proposed staffing level, however, appears excessive relative to the conservancy's projected workload.

Remaining Workload is Overstated and Premature. The conservancy has broken down its staffing request for 1984-85 into three primary categories. It proposes 2.25 personnel-years (PYs) for workload related to the revolving-fund land program, 3.35 PYs for other projects carried over

from previous years, and 3.9 PYs for support and nonproject-related workload. The conservancy, however, has not related the 5.6 PYs associated with revolving fund and carryover projects to specific projects or workload elements. Thus, the Legislature has no basis on which to determine the number of staff necessary to accomplish the workload remaining in 1984-85 from projects initiated in previous years.

We note, however, that in the 1983-84 budget, the conservancy identified a need for 3 personnel-years for carryover-project workload in the current year. Now, the conservancy requests 5.6 personnel-years for carryover projects—an increase of 2.6 personnel years above last year's estimate. Since most of the conservancy's capital outlay expenditures occurred before 1983-84, its work on carryover projects should be decreasing in 1984-85, not increasing.

Analyst's Recommendation. Given the declining workload and the conservancy's own estimate of staffing needs for carryover projects in 1983-84, we recommend a reduction of 2.0 personnel-years in staffing for the conservancy, for a savings of \$88,000 in 1984-85. Our recommended reduction is, by necessity, somewhat arbitrary because the conservancy has not based its staffing request on specific workload. Even so, our recommended staffing level would give the conservancy 0.6 personnel-years *more* for carryover project work in 1984-85 than it requested for the current year, in recognition of the conservancy's slow progress in completing projects.

Contract Provisions Needed to Protect State Parklands

We recommend that the Legislature adopt Budget Bill language requiring the conservancy to include in each contract transferring state property to the National Park Service a provision which assures that the property will be operated and maintained for public park and recreation purposes.

The conservancy is empowered to hold land it acquires for up to 10 years. Public agencies, including cities, counties, park and recreation districts, the National Park Service (NPS), or other state agencies, have the right to acquire the land from the conservancy at any time during the 10 year period. The property, if acquired from the conservancy by a public agency, must be used for park, recreation, or resource preservation purposes. Local and state agencies are required to purchase the property at its cost to the conservancy plus any carrying costs. The conservancy's basic law, however, is silent on the issue of compensation from the NPS for property it acquires from the conservancy.

If at the expiration of the 10 year period, no state or local agency has acquired property held by the conservancy, it will be sold at fair market value subject to any restrictions in the conservancy's enabling legislation.

The conservancy currently is planning to convey to the NPS title to several properties. The conservancy anticipates that by July 1, 1984, the NPS will pay \$632,000 (half the conservancy's cost) to acquire the Peter Strauss Ranch property. The conservancy also plans to transfer four properties to the NPS at no cost. Table 1 lists these properties, with the approximate acreage, state acquisition cost, and anticipated date of transfer to the NPS.

The parcels that the conservancy intends to give to the NPS are scattered throughout the Santa Monica Mountains. The costs of operating and maintaining these properties, therefore, are potentially higher than they would be if the parcels were contiguous.

SANTA MONICA MOUNTAINS CONSERVANCY—Continued

Table 1
State Property To Be Transferred To The
National Park Service At No Cost

<i>Site</i>	<i>Acreage</i>	<i>State Acquisition Costs</i>	<i>Anticipated Date Of Transfer</i>
1. Stunts Ranch	310	\$1,567,000	1-1-85
2. Wilacre Estates	127	5,265,000	Mid 1985
3. Fryman Canyon.....	59	800,000	Mid 1985
4. Lower Temescal Canyon	21	845,000	Mid 1985
Totals	517	<u>\$8,477,000</u>	

The conservancy plans to make additional improvements to some of these properties before conveying title to NPS. At Lower Temescal Canyon, for example, the conservancy may develop a staging/parking area and a ranger residence prior to the transfer of ownership. The conservancy has no indication, however, that the NPS plans to locate a ranger at the Lower Temescal Canyon park site.

The conservancy expects that the NPS will keep these properties open for public use. However, it does not have specific information on the NPS's plans for operating and maintaining the property so as to (1) protect public safety and (2) provide more than a buffer zone or open space to the neighboring residential communities. Although the conservancy reports that it has no specific information on the NPS's plans, it indicates that it believes the type of public use provided by NPS may be equivalent to a wilderness area with trails for hikers.

The NPS has indicated by letter, to the conservancy, its willingness to receive ownership of these properties and to assume operation and maintenance responsibilities. The letter, however, does not provide adequate assurance that these properties will be operated and maintained for public park and recreational use. Nor does the conservancy intend to require this assurance in its transfer contracts with NPS. Given that these properties were purchased with state funds, we believe such assurances should be received from the NPS before the properties are transferred. We recommend, therefore, that the Legislature adopt Budget Bill language under Item 3810-001-001 as follows:

“The Santa Monica Mountains Conservancy shall include in each contract transferring title of state property to the National Park Service a provision which assures that the property will be operated and maintained in a manner suitable for public park and recreational use.”

Budget Request for Consultants Unjustified

We recommend that \$52,000 requested for consultant contracts be deleted because the need for these funds has not been established.

The budget proposes \$52,000 for consultant contracts in 1984-85. For the current year, the budget shows *no funding* for consultant contracts, although the conservancy indicates that it may ask the Department of Finance to approve the use of reimbursements for contracts. Actual expenditures by the conservancy for consultant services since its inception in 1979 total \$24,000.

The conservancy has indicated two general program areas where the consulting funds requested for 1984-85 may be used (1) civil engineering and land surveying (\$12,000) and (2) land use planning and management

(\$40,000). The conservancy, however, has not cited any specific need for these contracts. Our analysis, moreover, raises questions as to why these types of consulting services should be necessary when no capital outlay appropriations have been proposed for 1984-85.

Given the absence of adequate justification for consultant contracts, we recommend a reduction of \$52,000 to eliminate the funds requested for this purpose.

Resources Agency

SAN FRANCISCO BAY CONSERVATION AND DEVELOPMENT COMMISSION

Item 3820 from the General

Fund	Budget p. R 161
Requested 1984-85	\$1,242,000
Estimated 1983-84.....	977,000
Actual 1982-83	952,000
Requested increase (excluding amount for salary increases) \$265,000 (+27 percent)	

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.

In addition, the BCDC has authority over:

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

The BCDC, which is located in San Francisco, has 26.5 authorized positions in the current year.

ANALYSIS AND RECOMMENDATIONS

We recommend approval.

The budget proposes an appropriation of \$1,242,000 from the General Fund for support of BCDC activities in 1984-85. This is an increase of \$265,000, or 27 percent, above estimated current-year General Fund expenditures. This amount will increase by the amount of any additional salary or staff benefit increases approved for the budget year.

The primary reason for the proposed General Fund increase is to compensate for the loss of \$232,000 in federal Coastal Zone Management Act (CZMA) funds received in the current year.

Since 1977, the BCDC has received CZMA funds in the form of reimbursements from the California Coastal Commission, the designated state recipient and administrator of CZMA funds. The BCDC has used these funds to provide partial support to its ongoing planning and permit pro-

SAN FRANCISCO BAY CONSERVATION AND DEVELOPMENT COMMISSION
—Continued

gram. The federal government, however, has terminated the CZMA state grants program and consequently these funds will not be available in 1984-85.

We believe the commission's current program level is reasonable, and in the absence of an alternative funding source, the proposed General Fund increase to support existing workload is warranted.

Total expenditures, including expenditures from reimbursements, are proposed to increase by \$33,000, or 2.7 percent, from \$1,209,000 in the current year to \$1,242,000 in 1984-85. This increase is the net result of (1) an increase of \$47,000 for full-year funding of employee salary and benefit increases already granted plus operating cost increases and (2) a decrease of \$14,000 due to the proposed elimination of 0.7 clerical positions as part of the Governor's 3 percent reduction in state personnel.

Resources Agency
DEPARTMENT OF WATER RESOURCES

Item 3860 from the General
 Fund and various special
 funds

Budget p. R 164

Requested 1984-85	\$36,688,000
Estimated 1983-84	29,608,000
Actual 1982-83	27,353,000
Requested increase (excluding amount for salary increases) \$7,080,000 (+24 percent)	
Total recommended reduction	506,000
Recommendation pending	13,200,000

1984-85 FUNDING BY ITEM AND SOURCE

Item	Description	Fund	Amount
3860-001-001—Support		General	\$22,198,000
3860-001-140—Agriculture Pilot Project		Environmental License Plate	888,000
3860-001-890—Federal Support		Federal Trust	(549,000)
3860-001-940—Water Conservation		Renewable Resources Investment	402,000
Total, Support			\$23,488,000
3860-101-001—Local Assistance, Flood Control Subventions		General	13,200,000
Total, Support and Local Assistance			\$36,688,000

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

Analysis
page

1. Personnel Reduction. Recommend department report, prior to budget hearings, on (a) the impact of the proposed three percent personnel reduction and (b) the distribution, by funding source, of the resulting \$4,138,000 reduction in salaries and wages. 760

*Recommend \$172,000 D.F.
reduction.*

2. **Financial Information.** Recommend Departments of Finance and Water Resources report to the fiscal subcommittees at the time of budget hearings on financial information that Chapter 323, Statutes of 1983, required the departments to include in the budget. 761
3. **Support Expenditures. Reduce Item 3860-001-001 by \$284,000.** Recommend elimination of support for five new planning and flood control activities because existing staff and resources are available to perform these activities. 761
4. **CIMIS Project. Reduce Item 3860-001-140 by \$222,000.** Recommend reduction because until an evaluation of the pilot project's feasibility is completed, funding for development of a statewide implementation plan is premature. 762
5. **Encroachment Control Permits.** Recommend enactment of legislation to establish application and annual inspection fees for encroachment permits approved by the state Reclamation Board. (Potential General Fund Savings: \$300,000 annually). 763
6. **Lake Elsinore Flood Control Program.** Recommend Department of Finance report, prior to budget hearings, on the amount that should be included in the budget to cover the state's share of costs for the Lake Elsinore flood control project. 764
7. **Flood Control Subventions.** Recommend Department of Finance provide information to clarify program implementation and funding level for 1984-85. We withhold recommendation on \$13.2 million for flood control subventions, pending receipt of this information. 765

GENERAL PROGRAM STATEMENT

The Department of Water Resources (DWR) is responsible for (1) the protection and management of California's water resources, (2) implementing 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 is headquartered in Sacramento and has district offices in Red Bluff, Fresno, Sacramento, and Los Angeles. A number of field offices provide for the operation and maintenance of the State Water Project. The department has 2,988.1 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**OVERVIEW OF THE BUDGET REQUEST**

The budget proposes four appropriations totaling \$36,688,000 from various funds for the support and local assistance programs of the Department of Water Resources in 1984–85. This is \$7,080,000, or 24 percent above estimated current-year expenditures of \$29,608,000. The amount of this increase will grow by the cost of any salary or benefit increases that may be approved for the budget year.

The budget proposes total expenditures of \$560,610,000 by the department in 1984–85, a decrease of \$369,967,000, or 40 percent, below the current-year level. This amount includes expenditures for department support and local assistance, but *excludes* \$4,460,000 for capital outlay purposes which is shown in the Governor's Budget as part of total expenditures. The budget includes \$6,703,000 in expenditures from reimbursements, primarily representing services rendered to state and local agencies (\$3,502,000) and funds derived from clean water bonds issued by the State Water Resources Control Board (\$1,120,000).

The General Fund portion of the requested budget for 1984–85 is \$35,398,000. This is a net increase of \$9,473,000, or 37 percent, above estimated current-year expenditures from the General Fund.

Table 1 summarizes total expenditures proposed by the department for 1984–85, and details significant program changes from the 1983–84 expenditure levels, by fund.

As Table 1 shows, the primary changes in the departments' budget are as follows:

1. Major Increases:

- \$9,473,000 from the General Fund for various workload and administrative adjustments (\$1,124,000), and increases in flood control activities (\$8,349,000).
- \$23,514,000 from the California Water Fund, due to the proposed reinstatement of the statutory appropriation of tidelands oil and gas revenues to that fund. The money in this fund is continuously appropriated to the department for construction of the State Water Project.

2. Major Decreases:

- \$58,060,000 from the Safe Drinking Water Bond Fund, due to the full commitment of available bond funds for loans and grants in 1983–84.
- \$343,693,000 from State Water Project funds, primarily due to lower bond debt service costs for short-term bond anticipation notes (\$263,558,000), completion of energy development projects such as the Reid Gardner power plant (\$37,677,000), and delays in the start of construction of Suisun Marsh mitigation facilities (\$29,152,000).
- \$2,393,000 from other special funds, including a decline in one-time expenditures (\$862,000), and funding for delta levee subventions (\$1,509,000) from the Energy and Resources Fund, and a reduction in funding from the Renewable Resources Investment Fund for water conservation (\$26,000), partially offset by an increase for the final year of the California Irrigation Management Information System (CIMIS) project (\$4,000) from the Environmental License Plate Fund.

Table 1
Department of Water Resources
Proposed Budget Adjustments, by Fund
(in thousands)

	<i>General Fund</i>	<i>California Water Fund</i>	<i>Safe Drinking Water Bond Fund</i>	<i>State Water Project Funds</i>	<i>Other Special Funds</i>	<i>Federal Funds</i>	<i>Reim- bursements</i>	<i>Totals</i>
1983-84 Expenditures (Revised)	\$25,925	\$3,361	\$58,419	\$833,129	\$3,483	\$678	\$5,382	\$930,577
A. Workload and Administrative Adjustments								
1. Salary adjustments	412	—	23	2,397	—	11	109	2,952
2. Increase in pro rata charges	131	—	9	769	—	1	38	948
3. Reduction in bond debt service costs	—	—	—	-263,558	—	—	—	-263,558
4. California Water Fund reinstatement	—	23,514	—	—	—	—	—	23,514
5. Services to other agencies	—	—	—	—	—	—	607	607
6. One-time 1983-84 expenditures	—	—	—	—	-862 ^a	—	—	-862 ^a
7. Suisun Marsh and Energy supply	—	—	—	-66,829	—	—	—	-66,829
8. Depletion of safe drinking water loans and grants	—	—	-58,110	—	—	—	—	-58,110
9. Miscellaneous adjustments	699	—	18	-16,472	-22 ^b	-141	567	-15,351
B. Significant Program Changes								
1. Flood control subventions	6,701	—	—	—	—	—	—	6,701
2. Delta levee maintenance subventions	—	—	—	—	-1,509 ^a	—	—	-1,509 ^a
3. Sacramento River capacity and bypass restoration	830	—	—	—	—	—	—	830
4. Butte Slough Outfall gates replacement	500	—	—	—	—	—	—	500
5. Trinity and Deer Creek sediment removal	200	—	—	—	—	—	—	200
1984-85 Expenditures (Proposed)	\$35,398	\$26,875	\$359	\$489,436	\$1,290	\$549	\$6,703	\$560,610
Changes from 1983-84:								
Amount	\$9,473	\$23,514	-\$58,060	-\$343,693	-\$2,393	-\$129	\$1,321	-\$369,967
Percent	37%	700%	-99%	-41%	-69%	-19%	25%	-40%

^a Energy and Resources Fund.

^b This amount is the net result of an increase of \$4,000 from the Environmental License Plate Fund and a decrease of \$26,000 from the Renewable Resources Investment Fund.

DEPARTMENT OF WATER RESOURCES—Continued

ANALYSIS AND RECOMMENDATIONS

Recommend \$172,000 General Fund Reduction.

Personnel Reduction Needs Clarification

We recommend that the department report to the fiscal subcommittees, prior to hearings, on the program impact and distribution, by funding source, of the 3 percent personnel reduction.

In compliance with a memorandum issued by the Governor's Office on November 1, 1983, the department's budget reflects a reduction of 3 percent in authorized personnel-years (PYs) and a corresponding savings of \$4,138,000 in salaries and wages. These reductions are reported in the Governor's Budget as the net result of (1) the deletion of 242 PYs and \$6,110,000 in salaries and wages and (2) an increase of 148.3 PYs and \$1,972,000. These proposed adjustments to the department's support budget are shown in Table 2.

Table 2
Department of Water Resources
Changes in Authorized Positions

	PYs	Dollars (in millions)
Reductions in Authorized Positions	-242.4	-\$6,110
Proposed New Positions	148.3	1,972
Total Adjustment (3% Reduction)	-94.1	-\$4,138

The budget indicates that the \$4,138,000 savings reported in Table 2 is attributable entirely to the 94.1 PY reduction. Our analysis reveals, however, that the \$4.1 million *overstates the savings* resulting from the deletion of 94.1 PYs, and our efforts to clarify this issue with the department have largely confirmed, but not resolved, the discrepancy.

According to the department, all of the 94.1 PYs abolished by the 3 percent reduction were vacant because of program and construction slippages involving the State Water Project (SWP). These positions are supported by SWP funds. The department indicates that the entire savings of \$4,138,000 will be allocated to SWP funds.

Some of the abolished positions and proposed new positions, however, are *not* supported by SWP funds. Moreover, the department states that the salaries and wages attributable to the 94.1 PYs amount to only \$2,623,000, or \$1,515,000 *less* than the \$4,138,000 of savings claimed in the budget. It would appear that some, if not all, of this difference should be allocated to other funds.

At the time this analysis was prepared, the department was unable to identify the funding sources for either the 242 existing PYs which are proposed for elimination or the 148 new PYs that are proposed to be added for 1984-85. As a result, we cannot determine the net effect of the 3 percent reduction on the department's various funding sources.

Given the apparent confusion within the administration as to what exactly is being proposed for 1984-85, we recommend that the department report to the fiscal subcommittees prior to hearings on: (1) the allocation, by program component and funding source, of the salaries and wages attributable to (a) the positions proposed to be abolished and (b) the positions proposed to be added, (2) the methodology used to derive the

net reduction of 94.1 positions and \$4,138,000, (3) the distribution of the funding reduction, by funding source, and (4) any resulting adjustments that should be made to the department's support appropriations.

Upon receipt of this information, we will prepare a supplemental analysis of the issue for the fiscal subcommittees if necessary.

Detailed Information Required by 1983 Trailer Bill Provision Not Provided

We recommend that the Departments of Finance and Water Resources report to the fiscal subcommittees at the time of hearings on the financial information required to be presented in the budget by Chapter 323, Statutes of 1983.

Section 93.9 of the trailer bill to the 1983 Budget Act (Ch 323/83) amended certain reporting requirements in the Water Code. This was done in order to insure that the Legislature would be adequately informed about State Water Project (SWP) revenues and expenditures and thereby able to ascertain the amount of money available for appropriation from the California Water Fund (CWF).

Existing law specifies the following priority for the use of revenues derived from the SWP: (1) operation and maintenance costs of the SWP, (2) payment of principal and interest on the SWP bonds, (3) repayments to the CWF for CWF funds used to construct the SWP, and (4) future construction of the SWP.

In addition to repayments of SWP construction costs pursuant to priority (3) above, existing law annually allocates \$25 million of tidelands oil revenues to the CWF. The money in the CWF is continuously appropriated to the department for construction of the SWP.

The 1983 budget trailer bill requires the following information to be presented in the budget: (1) an estimate of total CWF revenues, shown by source and allocated among the four purposes listed above and (2) a detailed statement of expenditures from the CWF for the past, current, and future fiscal years.

The Governor's Budget includes only an aggregated statement of the sources and applications of SWP funds. It does not provide the detailed expenditure information required by Ch 323/83. Specifically, the budget does not identify SWP expenditures for operations, maintenance, and construction on a project-by-project basis. Consequently, the information contained in the budget does not permit the Legislature to evaluate how the department allocates costs to projects and determines the amount of revenue remaining for repayment to the CWF.

Accordingly, we recommend that the Department of Water Resources and the Department of Finance report to the fiscal subcommittees at the time of hearings on financial information required by Ch 323/83 to be in the budget.

Workload Requirements Overbudgeted *Withdraw reduction Rec. one year limit on positions*

We recommend a reduction of \$284,000 in Item 3860-001-001 to eliminate double-budgeting for positions.

The budget proposes expenditures totaling \$744,000 (\$719,000 from the General Fund and \$25,000 from reimbursements) for five activities involving planning, data collection and flood control, as shown in Table 3.

Of the \$744,000 requested for these projects, \$460,000 is for contract work. Our analysis indicates that these contracts are justified. Accordingly, we recommend approval of \$460,000 in Item 3860-001-001.

DEPARTMENT OF WATER RESOURCES—Continued

Table 3
Department of Water Resources
Proposed Support Expenditures
For New Activities

	<i>Proposed Funds</i>		<i>Totals</i>
	<i>Contracts</i>	<i>Staff^a</i>	
1. Expansion of land use surveys	—	\$44,000	\$44,000
2. Publication of Bulletin 113-4 "Vegetative Water Use in California"	—	50,000	50,000
3. Lake County flood control study	—	50,000	50,000
4. Deer Creek sediment removal	\$60,000	40,000	100,000
5. Butte Slough outfall gates replacement	400,000	100,000	500,000
Totals	\$460,000	\$284,000	\$744,000

^a Approximately 5.2 personnel-years, according to department's budget change proposals.

We are advised that the balance of the funds requested (\$284,000) would be used to support approximately 5.2 personnel-years and associated operating expenses in the department. *The budget, however, does not propose any new positions for these activities.* According to the Department of Finance, the positions associated with these projects are already funded in the department's base budget. Thus, the \$284,000 is not needed and represents double-budgeting.

According to the Department of Water Resources, this inconsistency reflects tentative plans to redirect positions which are now funded by the State Water Project to these new General Fund-supported activities. The Department of Finance, however, has not approved a redirection of positions for this purpose, and none is reflected in the budget. Alternatively, existing positions supported by the General Fund may be redirected to perform this work, in which case no additional funds would be needed.

Because funds for the positions requested for these projects appear to be included in the department's base budget, we recommend a reduction of \$284,000 (consisting of \$259,000 from the General Fund and \$25,000 from reimbursements).

Evaluation of CIMIS Pilot Project Needed Before Statewide Implementation Can Be Considered

We recommend that funding for the CIMIS project (Item 3860-001-140) be reduced by \$222,000 because until the results of the pilot project are evaluated, any work beyond the research and development stage would be premature. We further recommend that the Legislature adopt supplemental report language requiring the department to submit a final report on the CIMIS project by March 1, 1985.

The budget proposes \$888,000 from the Environmental License Plate Fund for the California Irrigation Management Information System (CIMIS) in 1984-85. Funding for this project commenced during 1981-82, and totals \$2.6 million through the current year. Fiscal year 1984-85 marks the final year of what was planned and presented to the Legislature as a four-year research and development project to analyze and quantify the costs and benefits of computerized irrigation scheduling. Approximately 80 growers are taking part in the project.

The 1984-85 request would provide funds to (1) complete research and

development (\$666,000), and (b) develop a plan for statewide implementation and an education program on the use of CIMIS for irrigation management (\$222,000). According to the department's annual report, all research and development on the project is scheduled for completion in April 1985. At that point, UC will forward the final report to the department containing "all of the information developed during the project" and recommendations on how to effectively disseminate computer-generated irrigation management information on a statewide basis. The department also will be forwarding a feasibility study for the CIMIS project to the Department of Finance in April 1985. Funding for preparation of this study is proposed from the General Fund at \$15,000.

Statewide Implementation is Premature. The department indicates that it currently is putting together a proposal for operation of CIMIS on a statewide basis, commencing in 1985-86. Our analysis indicates, however, that funding for statewide implementation and education is premature until the final report has been evaluated and the feasibility and cost-effectiveness of large-scale implementation has been established.

Accordingly, we recommend a reduction of \$222,000 for the CIMIS project in 1984-85, in order to eliminate funds for work that exceeds the established scope of the pilot project. The evaluation of the CIMIS project is scheduled for completion in April of 1985. Expansion of the project beyond its current scope should be deferred until then, and any funds provided at that time should be justified by the results of the project.

To assure that the Legislature receives information needed to evaluate the desirability of implementing CIMIS on a statewide basis prior to considering the 1985-86 budget, we further recommend that the Legislature adopt the following supplemental report language:

"The final report for the CIMIS project shall be submitted by the Department of Water Resources to the fiscal committees and Joint Legislative Budget Committee by March 1, 1985, and shall include, at a minimum, the following information: (1) an evaluation of grower acceptance of the CIMIS project and the potential for grower participation in an expanded effort; (2) an assessment of grower willingness to pay or share in the costs of an expanded CIMIS project; (3) the findings on the amount of water and energy saved as a result of CIMIS; and (4) the economic feasibility and cost/benefits to growers using CIMIS, and to the state."

Fees for Encroachment Control Permits are Long Overdue

We recommend enactment of legislation to establish application and annual inspection fees for flood control encroachment permits approved by the state Reclamation Board, so that those who benefit directly from the permitting process will share in the cost of the process. (Potential General Fund savings: \$300,000 annually)

The budget requests \$485,000 from the General Fund in 1984-85 for 12.7 personnel-years to review and evaluate applications to the state Reclamation Board for encroachment permits.

Under existing law, the state Reclamation Board has primary responsibility for preserving the integrity of flood protection works and designated floodways in the Central Valley. A major component of this responsibility involves the board's control of encroachments constructed on these facilities and floodways. Encroachments include (1) construction of structures such as buildings and bridges, (2) dredging, (3) gas and oil wells, (4) mineral extractions, (5) landscaping, and (6) power lines.

DEPARTMENT OF WATER RESOURCES—Continued

The board controls encroachments by requiring property owners to obtain a permit from the board in order to undertake any construction or activity affecting project works or floodways. Approximately 400 applications are reviewed each year. The board uses Department of Water Resources staff to review, evaluate, and make recommendations on permit applications and to perform inspections.

Since its inception in 1969, the costs of the encroachment control program have averaged approximately \$500,000 per year and have been funded from the department's General Fund appropriations.

Our analysis indicates that it would be appropriate for the permit applicants to share the cost of the permit process. Although the permit program benefits the general public by assuring the integrity of the state's flood control system, individual encroachments primarily benefit the property owner applying for a permit. We understand that the Reclamation Board has been considering an internal proposal to establish (1) application filing fees and annual encroachment inspection fees and (2) penalties for non-compliance with the encroachment permit process. The board estimates that the proposed fees could produce approximately \$300,000 annually, or two-thirds of the average annual cost of issuing permits and inspecting encroachments.

Our analysis indicates that the establishment of filing and annual inspection fees for this program is warranted and long overdue. Accordingly, we recommend enactment of legislation requiring the state Reclamation Board to establish encroachment permit filing fees and annual inspection fees in order to reduce the General Fund cost of the permit and inspection program. The potential savings to the General Fund from this legislation would be approximately \$300,000 per year.

Restoration of Flood-carrying Capacity of the Sacramento River

We recommend approval.

The budget requests \$830,000 from the General Fund and three new positions to restore the flood-carrying capacity of a portion of the Sacramento River. Under existing law, the department is required to maintain certain channels and flood control structures that are part of the Sacramento River Flood Control Project. Of the \$830,000 requested, \$405,000 would be allocated for channel clearing, \$50,000 for removing snags and \$375,000 for removing sediment.

Our analysis indicates that the proposed funding and positions are justified.

Budget Bill Does Not Include State Costs for Lake Elsinore Flood Control Program

We recommend that the Department of Finance report to the fiscal subcommittees on the amount that should be included in the budget to cover the estimated state cost for the Lake Elsinore flood control project in 1984-85.

Chapter 40, Statutes of 1983, requires the Department of Finance to include in the 1984 Budget Bill an appropriation to the Department of Water Resources for the state's share of flood management costs at Lake Elsinore in Riverside County. The state's share will be determined by an allocation formula established by the Department of Finance. The Department of Finance reports that it has established the allocation formula

but has not included the appropriation in the Budget Bill.

The Governor's Budget (p. R 172) indicates that the state's share of the Lake Elsinore flood management program cannot be determined at this time because the costs depend on "future estimates of the flood damage at Lake Elsinore." The budget states that an appropriation will be requested when these estimates are made in early 1984.

Until the Department of Finance proposes an appropriation for flood control at Lake Elsinore, the budget is underfunded by the amount that will be needed to cover the state's share of these costs in 1984-85. Accordingly, we recommend that the Department of Finance report prior to budget hearings on the state's share of costs for the Lake Elsinore Flood Control project in 1984-85, so that the amount of the necessary appropriation can be determined.

Flood Control Subventions

We withhold recommendation on \$13.2 million proposed for flood control subventions, pending clarification by the Department of Finance of how these payments will be made in 1984-85.

The state's share of local flood control costs is provided through subventions from the General Fund. The budget proposes \$13,200,000 for flood control subventions in 1984-85, an increase of \$6,701,000 over the estimated current-year level of \$6,499,000.

The federal government, through the U.S. Army Corps of Engineers, conducts a nationwide program for the construction of flood control levee and channel projects. Congress requires local agencies to participate financially in these projects by paying the costs of rights-of-way and utility relocations. Prior to 1973, California reimbursed local agencies for all of these costs. Since 1973, these costs have been shared between the state and local agencies, as provided by Ch 893/73.

Until 1983-84, the subvention program had provided for two types of payments: claims for advances and claims for reimbursements. Language in Item 3860-101-001 of the 1983 Budget Act, however, prohibited the department from paying claims for advances.

Claims for reimbursement are paid only after the expenditure has been incurred and the claim has been audited by the state Controller's office. In recent years, the department has been unable to provide timely payment of local claims for two reasons—audit backlogs in the Controller's office and insufficient funds in the budget for payment of claims.

As of December 31, 1983, the department reports that it had received a total of \$10.5 million in local claims and estimated that it would receive an additional \$2 million to \$3 million in claims by the end of 1983-84. Thus, the backlog on June 30, 1984 could be as high as \$13.5 million.

The department expects that the \$10.5 million in claims received as of December 1983 will be audited by the Controller's office during 1983-84 and be ready for payment during 1984-85.

Uncertainties Regarding Implementation of the Program. The budget states that the \$13.2 million requested for subventions in 1984-85 is the amount of claims which will be audited by the Controller in the current year and paid in 1984-85. In the current year, DWR has, as a matter of policy, paid only those claims that were audited in the prior year. If this policy is continued in 1984-85, then only \$10.5 million, or \$2.7 million less than the requested amount, will be needed, based on the department's latest estimate. Additional claims received in 1983-84 will be audited in 1984-85, however, and *could* be paid in that year.

DEPARTMENT OF WATER RESOURCES—Continued

The budget indicates that “the funding level will be reviewed again in early 1984 to determine if revisions are necessary based on changes in the state Controller’s audit schedule or other factors.” Because of the uncertainties discussed above and the possibility that the funding request will be changed by the Department of Finance, we withhold recommendation on the \$13.2 million included in the budget, pending receipt of information that clarifies how the program will be implemented in 1984–85 and the appropriate funding requirement.

DEPARTMENT OF WATER RESOURCES—CAPITAL OUTLAY

Item 3860-301 from the Special
Account for Capital Outlay,
General Fund

Budget p. R 185

Requested 1984–85	\$4,460,000
Recommended approval	4,442,000
Recommended reduction	18,000

ANALYSIS AND RECOMMENDATIONS

The budget proposes an appropriation of \$4,460,000 to the Department of Water Resources for three capital outlay projects related to flood control.

(1) Knights Landing Outfall Gates..... \$75,000

We recommend a reduction of \$18,000 in Item 3860-301-036 to correct for overbudgeting.

The budget proposes \$75,000 to restore and improve the outfall gates at Knights Landing. The amount consists of \$57,000 for capital outlay and \$18,000 for support of 0.2 personnel-years.

Our analysis indicates that the project is justified. The Budget Bill, however, does not authorize expenditure of the \$18,000 proposed for support from the \$75,000 capital outlay appropriation. Moreover, the budget does not request any increase in personnel-years for this project that would warrant the \$18,000 support expenditure. In reviewing this matter, we were advised by the department that existing positions already funded in the base budget will be used to perform this work. Accordingly, Item 3860-301-036 should be reduced by \$18,000.

**(2) Sacramento-San Joaquin River Bank
Protection Program..... \$2,150,000**

(3) Fairfield Stream Group Project..... 2,235,000

We recommend that the Legislature adopt Budget Bill language limiting to one year the availability of \$4,385,000 for expenditure on the Sacramento River Bank Protection Project and the Fairfield Stream Group Project.

For 1984–85, the budget requests \$2,150,000 in support of the Sacramento River Bank Protection Project, which was authorized in 1960 to protect the existing levee system of the Sacramento River. The project

provides for the construction of bank erosion control works and the set-back of levees along the Sacramento River from Collinsville upstream to the vicinity of Chico.

The state Reclamation Board, within the Department of Water Resources, is the nonfederal participant in constructing the project. It provides funds to acquire lands, easements, and rights-of-way, and to relocate utilities.

The budget also requests \$2,235,000 for the Fairfield Stream Group Project, which was authorized under the federal Flood Control Act of 1965 and by Section 12666 of the state Water Code. This money will be used to reimburse the City of Fairfield for the state's share of project costs. The costs are primarily for lands, easements, rights-of-way and relocations of the levees needed to protect the city from floods.

The U.S. Army Corps of Engineers will provide two-thirds of the funding for both of these projects. The balance must be derived from nonfederal sources. Local entities will be responsible for the costs of operating and maintaining the completed works.

Under normal circumstances, capital outlay funding is available for encumbrance for up to three years from the date of the appropriation. However, because the amount of federal construction funds which will be available in a given fiscal year is always uncertain, language has been included in the Budget Act for previous years to restrict the availability of state capital outlay funds for federal flood control projects to one year only. This insures that the state funds revert and become available for appropriation by the Legislature if federal construction funds are not provided.

Since the expenditure of the \$4,385,000 requested for these projects in 1984-85 is predicated upon federal budget action, we recommend continuation of the one-year limitation on the availability of the state funds. Accordingly, we recommend that the following language be added to the Budget Bill:

"Notwithstanding the provisions of Section 2 of this act, the amounts appropriated in Schedules (2) and (3) of Item 3860-301-036 shall be available for expenditure only during the 1984-85 fiscal year."

DEPARTMENT OF WATER RESOURCES—REVERSION

Item 3860-495 to the State, Urban, and Coastal Park Fund

Budget p. R 164

ANALYSIS AND RECOMMENDATIONS

We recommend approval.

This item proposes to revert the unencumbered balance of a \$75,000 appropriation made to the Department of Water Resources in the 1982 Budget Act for the acquisition of land in the Oroville Wildlife Area. At the time this analysis was prepared, none of the money had been expended, and it appears likely that the full amount will revert. This acquisition was tied to construction of a new power facility at Oroville that did not take place. Thus, the revision of the unexpended funds appropriated for acquisition of land in the Oroville wildlife area is justified.

**Resources Agency
STATE WATER RESOURCES CONTROL BOARD**

Item 3940 from the General
Fund and special funds

Budget p. R 187

Requested 1984-85	\$18,263,000
Estimated 1983-84	14,466,000
Actual 1982-83	13,444,000
Requested increase (excluding amount for salary increases) \$3,797,000 (+26.2 percent)	
Total recommended reduction	98,000
Recommendation pending	383,000

1984-85 FUNDING BY ITEM AND SOURCE

Item	Description	Fund	Amount
3940-001-001—Support		General	\$16,683,000
3940-001-014—Hazardous Waste Site Closure		Hazardous Waste	362,000
3940-001-475—Underground Tanks		Underground Tank Storage	601,000
3940-001-476—Underground Tanks		Underground Container In- ventory Account, General	617,000
3940-011-001—Loan to Underground Tank Stor- age Fund		General	(550,000)
3940-001-890—Support		Federal	(12,812,000)
Total			\$18,263,000

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

*Analysis
page*

1. Regulatory Program. Recommend that the State Water Resources Control Board submit to the Legislature by April 1, 1984, a comprehensive plan to correct deficiencies in the board's regulatory program. 773
2. Waste Discharge Orders. Withhold recommendation on \$423,000 (\$383,000 General Fund and \$40,000 in reimbursements) to update waste discharge orders, pending receipt of a specific proposal to hire staff under the federal Inter-governmental Personnel Act. 775
3. *Data Management System. Reduce Item 3940-001-001 by \$98,000.* Recommend reduction to eliminate support for an unjustified feasibility study. Further recommend that the board submit, prior to budget hearings, a long-range plan for the effective coordination of the board's data management system as it relates to the issuance, monitoring and enforcement of waste discharge orders. 775
4. Waste Discharge Fees. Recommend that the board report prior to budget hearings on the actual waste discharge fees collected in 1983-84 and submit revised projections for 1983-84 and 1984-85. 777
5. Underground Tank Leak Detection Program. Recommend that the board report prior to budget hearings on the implementation of the underground tank leak detection program. Further recommend adoption of supplemental re- 780

- port language directing the board to submit, by October 1, 1984, an updated work plan for the program and a revised estimate of the number of underground tanks identified pursuant to Ch 1045/83.
6. General Fund Loan. Recommend adoption of Budget Bill language under Item 3940-001-001 requiring (a) 30 days' advance notice to the Joint Legislative Budget Committee and the fiscal committees that the Director of Finance will approve a General Fund loan to cover costs incurred by the State Water Resources Control Board pursuant to Ch 1046/83 and (b) payment of interest on the loan equal to the interest earned by the Pooled Money Investment Account. 781
 7. Water Rights Fees. Recommend that legislation be enacted to increase water rights application and permit fees (potential savings to the General Fund: \$74,000). 782
 8. EDP Enhancement. Recommend that Budget Bill language be added to Item 3940-001-001 requiring the board to submit to the Joint Legislative Budget Committee an approved feasibility study 30 days before encumbering \$317,000 for enhancement of the Automated Water Rights Information System. 783

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 691.7 authorized personnel-years in the current year.

OVERVIEW OF THE BUDGET REQUEST

The budget proposes total appropriations of \$18,263,000 from the General Fund and various special funds for support of the State Water Resources Control Board in 1984-85. This is an increase of \$3,797,000, or 26 percent, over estimated current-year expenditures. This increase will grow by the cost of any salary or staff benefit increases that may be approved for the budget year.

The appropriation request for 1984-85 includes two new appropriations—\$601,000 from the Underground Tank Storage Fund and \$617,000 from the Underground Container Inventory Account of the General Fund—for support of the Underground Tank Leak Detection program established by Ch 1045/83 and Ch 1046/83. The \$601,000 from the Underground Tank Storage Fund would be funded primarily by a \$550,000 loan from the General Fund.

The board proposes total expenditures of \$107,988,000 from all sources, including federal funds and reimbursements, in 1984-85. This is an in-

STATE WATER RESOURCES CONTROL BOARD—Continued

crease of \$2,543,000, or 2.4 percent, above estimated expenditures in the current year.

Significant Budget Changes

Table 1 summarizes the significant proposed changes in the board's budget, by funding source. These changes include:

1. **Underground Tank Leak Detection Program.** An increase of \$2,539,000 (various funds) to implement the underground leak detection activities required by Ch 1045/83 and Ch 1046/83.
2. **Automated Water Rights Information System (AWRIS).** An increase of \$317,000 (General Fund) to expand and enhance an automated system for processing water rights applications.
3. **Waste Discharge Orders.** An increase of \$521,000 (\$481,000 General Fund, \$40,000 reimbursements from dischargers) to hire consultants to update waste discharge orders (\$423,000) and assess the potential for automating the board's regulatory activities (\$98,000).
4. **Leviathan Mine Cleanup.** A reduction of \$2.1 million (from litigation settlement) from 1983-84 costs of Leviathan Mine cleanup. The board will be continuing the Leviathan Mine cleanup in 1984-85 using \$1.5 million in reimbursements from a previous Clean Water Bond Fund allocation.
5. **Federal Planning Grants.** The board will receive \$837,000 for federal "205j" planning grants in 1984-85, a reduction of \$1,094,000 compared with the current-year amount. Section 205j of the federal Clean Water Act authorizes grants to qualified agencies (including local planning agencies and regional water quality control boards) to plan for the control of water pollution.
6. **Program Efficiencies.** A reduction of \$731,000 and 20.6 personnel-years as a result of "program efficiencies." Most of the reduction, \$638,000 or 86 percent, is from federal programs for which estimated workload has decreased and funding is no longer necessary.

ANALYSIS AND RECOMMENDATIONS**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 of project costs generally are divided equally between the state and local agencies. Since 1970, the voters have approved a total of \$857 million of general obligation bonds to finance the state's share of these projects.

The budget estimates that as of June 30, 1985, \$35,708,000 will remain available for allocation to new construction projects. According to the board, funds for new allocations will be depleted during the 1985-86 fiscal year. Assembly Bill 1732, which would place a new \$450 million general obligation bond issue on the November 2, 1984 ballot, is now being considered by the Legislature.

The General Fund is responsible for paying the debt service (principal and interest) on the bonds issued to finance the state's share of the cost of local sewage treatment plants. The Treasurer's Office indicates that General Fund payments for Clean Water Bond Fund debt service in 1984-85 will total approximately \$7.5 million. These payments are not included in the budget totals for the board.

Table 1
State Water Resources Control Board
Proposed Budget Changes
(in thousands)

	<i>General Fund</i>	<i>Hazardous Waste Control Account</i>	<i>Under- ground Tank Storage Fund</i>	<i>Under- ground Container Inventory Account</i>	<i>State Clean Water Bond Fund</i>	<i>State Water Quality Control Fund</i>	<i>Federal Funds</i>	<i>Reim- bursements</i>	<i>Totals</i>
1983-84 Expenditures (Revised).....	\$14,119	\$347	—	—	\$71,578	\$3,479	\$13,977	\$1,945	\$105,445
A. Significant program changes									
1. Implementation of underground tank leak de- tection program	1,661 ^a	—	51 ^b	617	—	—	—	210	2,539
2. Expand automated water rights information system	317	—	—	—	—	—	—	—	317
3. Review and update waste discharge orders	481	—	—	—	—	—	—	40	521
4. Leviathan Mine Cleanup	—	—	—	—	—	-2,101	—	1,488	-613
B. Workload and administrative adjustments									
1. Full-year cost of 1983-84 salary increase	346	10	—	—	105	—	307	34	802
2. Federal planning grants	—	—	—	—	—	—	-1,094	—	-1,094
3. Savings from "program efficiencies"	-5	-1	—	—	-9	—	-628	-88	-731
4. Miscellaneous adjustments (including price in- creases and merit salary adjustments)	314	6	—	—	205	-20	250	47	802
1984-85 Expenditures (Proposed)	\$17,233	\$362	\$51 ^b	\$617	\$71,879	\$1,358	\$12,812	\$3,676	\$107,988
Change from 1983-84:	\$3,114	\$15	\$51 ^b	\$617	\$301	-\$2,101	-\$1,165	\$1,731	\$2,543

^a Includes \$550,000 proposed for long-term General Fund loan (to be deposited in Underground Tank Storage Fund).

^b Proposed expenditures are \$601,000, including \$550,000 from a long-term General Fund loan.

STATE WATER RESOURCES CONTROL BOARD—Continued**Regulatory Program**

The Porter-Cologne Water Quality Control Act states that "the state board and each regional board shall be the principal state agencies responsible for the coordination and control of water quality. . . and shall, at all times, coordinate their respective activities so as to achieve a unified and effective water quality control program in this state."

Our analysis of the board's water quality program indicates a number of deficiencies which prevent the board from achieving a unified and effective water quality control program. This is especially true of the regulatory program element which includes three closely related activities—adoption of waste discharge orders, surveillance and monitoring of discharges and enforcement of the discharges.

Background. The regional boards issue waste discharge orders, which specify limits on the quality and quantity of discharges into the waters of the state. These orders, issued to individual dischargers, are based on water quality control plans (basin plans) that have been developed by the regional boards and approved by the state board. Waste discharge orders may be for compliance with either state or federal law. Under federal law, the National Pollutant Discharge Elimination System (NPDES) governs discharges to navigable waters (the federal government has delegated responsibility for NPDES permits to the state board). Discharges to other than navigable waters, primarily discharges to evaporation ponds or injected underground by wells, are governed by state Waste Discharge Requirements.

Once a waste discharge order (WDO) has been issued, the board must ensure that the discharger is complying with the water quality standards of the WDO through on-site inspections and reviewing dischargers' self-monitoring reports.

The regional boards take enforcement action, which may vary from verbal communication with the discharger to the issuance of cease and desist orders.

Regulation of waste discharge orders is the cornerstone of the boards' activities to ensure the quality of California's water resources. As such, the budget proposes \$14.8 million to support 176.3 personnel-years for these activities in 1984-85. (This amount does not include \$7.6 million and 121.5 personnel-years for control of toxic wastes, or \$754,000 and 12.3 personnel-years for special regulatory activities at Lake Tahoe.) Table 2 displays the requested amounts and funding sources for WDO activities.

Table 2
State Water Resources Control Board
Regulation of Waste Discharge Orders
Proposed Expenditures in 1984-85
(dollars in thousands)

Activity	Staff Years	General Fund	Clean	Federal	Water	Reim- bursements	Total
			Water Bond Fund	Funds	Quality Control Fund		
Issuance of Waste Discharge Orders	64.9	\$3,020	\$443	\$500	—	\$539	\$4,502
Surveillance and Monitoring.....	71.6	2,361	2,574	684	—	76	5,695
Enforcement	39.8	50	480	2,510	\$118 ^a	1,488 ^a	4,646 ^a
Totals.....	176.3	\$5,431	\$3,497	\$3,694	\$118	\$2,103	\$14,843

^a Projected costs for clean-up of Leviathan Mine, which totals \$1,606,000.

Continuing Deficiencies in the Regulatory Program

We recommend that the state board submit to the Legislature by April 1, 1984, a comprehensive plan to correct deficiencies identified within the board's regulatory program.

The regulation element represents one of the board's most important and expensive activities. In reviewing this element, however, we have identified a number of deficiencies which (1) prevent the regional boards from ensuring the safety and quality of the state's waters, (2) prevent the state board from adequately reviewing and coordinating regional board activities to achieve a "unified and effective water quality control program in the state," and (3) prevent the Legislature from receiving adequate information to effectively exercise its oversight responsibilities. Specifically, we have identified the following deficiencies:

1. **Inconsistent Inspections.** Waste discharge orders are enforced by the regional boards through two mechanisms: self-monitoring reports and on-site inspections. The regional boards do not have consistent policies for using either of these mechanisms.

a. **Self-monitoring reports.** These involve the testing and sampling of discharges and receiving waters, performed by the dischargers. The results of these tests are submitted to the regional boards on a regular schedule so that staff can compare the testing results with the limits prescribed in the WDO. Some regions review the results as soon as they are received and follow up immediately. Others, however, do not allocate sufficient staff to regularly evaluate the reports. These regions maintain that they are aware of the "major dischargers" and check them regularly.

b. **Compliance Inspections.** State board regulations require each regional board to "develop a schedule for inspection of all waste dischargers within the region to determine compliance with waste discharge requirements." Implementation by the regions is inconsistent. Some regions follow a schedule; others do not. Most regions regularly inspect major dischargers, but cite lack of adequate staff as the reason for not being able to make all of the required inspections.

2. **Update and Revision Needed of Waste Discharge Orders.** According to the state board, there are approximately 5,400 dischargers operating under waste discharge orders. Approximately 2,600, or 48 percent, of these WDOs have not been updated for three years or more. Revision of orders is necessary because (a) the uses and/or characteristics of the receiving waters may have changed since the original WDO was issued and (b) new scientific information may be available about specific pollutants and their movement and effect in the environment. Unless WDOs reflect the most recent information on both the discharge and receiving waters, even daily inspections could be ineffective. For example, according to the state board, several years passed without review or revision of the WDOs for the following companies, each of which experienced major water quality problems: Occidental Chemical Company (pesticides in groundwater), Aerojet General (solvents in groundwater), FMC Company, Fresno (pesticide in groundwater); and Beckman Instruments, Por-

STATE WATER RESOURCES CONTROL BOARD—Continued

terville (solvents in groundwater). The budget proposes \$423,000 for an ongoing program to regularly update the WDOs. Our analysis of this proposal is discussed separately.

3. *Inconsistent Procedures.* The issuance, monitoring, and enforcement of WDOs is a complex process requiring both technical knowledge and procedural awareness by staff. Most of the regions we visited did not use a procedures manual. The state board indicates that it currently is updating a procedures manual, last revised in 1975, and will make it available to regional board staff.

4. *Poor Workload Data and No Workload Standards.* We attempted to compare regional board workload "outputs" (number of WDOs issued, number of facilities inspected, number of enforcement actions taken) over a seven-year period. The state board supplied data, but cautioned that its comparability was limited because there is no common basis for reporting. This point was emphasized in a November 1983 report by the state board's program analysis office, which stated that "although the Board has been collecting output data from the regions for years, there is no clear definition of what to count and when to count it."

Without a common basis for "what to count and when to count it," we question how the state board can allocate funds and staff to the regional boards in an efficient manner. The state board and regional boards do not have workload standards. Although such standards require some flexibility, given the differences among the regions and among individual dischargers, some average workload standards are necessary to allocate resources effectively. This again is recognized by the board's internal report of November 1983, which states, "We have no work measurement system, nor do we have workload standards . . . Needless to say, we are at a disadvantage in trying to demonstrate the strain on resources caused by increasing workload when the numbers are not there."

Comprehensive Work Plan Needed Prior to Legislative Review of the Budget. Both the Auditor General (1979) and the Assembly Office of Research (1983) have reached conclusions similar to those described above. The Auditor General currently is updating his 1979 report, and staff indicate that a new report is scheduled for completion by the end of March 1984.

The state and regional boards are aware of the need to correct these deficiencies as evidenced by the 1983 update of the procedures manual, the proposed staff increases for revision of waste discharge requirements and the pending review of data management needs. We recommend that these efforts be expanded and coordinated into a comprehensive work plan to correct the deficiencies identified in the regulatory program. Submittal of the work plan by April 1, 1984, would enable the Legislature to review the board's priorities and make changes, if necessary, to reflect the Legislature's priorities.

The work plan should include:

1. A schedule to develop uniform and quantifiable workload standards and outputs for all tasks within the regulatory programs.
2. Uniform inspection policies for both on-site inspections and self-monitoring reports.
3. Completion and distribution of the revised procedures manual.

Proposal to Update Waste Discharge Orders Needs Clarification

We withhold recommendation on \$423,000 (\$383,000 General Fund and \$40,000 reimbursements) requested to update waste discharger orders, pending receipt of workload standards and information on the proposal to hire staff under the federal Intergovernmental Personnel Act.

The budget proposes \$423,000 (\$383,000 from the General Fund and \$40,000 in reimbursements from waste dischargers) to revise and update approximately 2,600 existing waste discharge orders (WDOs). The funds would be used to contract with local and federal agencies pursuant to the Intergovernmental Personnel Act (IPA).

As we noted in our discussion of the deficiencies plaguing the regulatory program, many waste discharge orders are out of date and should be revised. Our analysis indicates, however, that the budget proposal for \$423,000 is premature in at least two aspects:

- **Inadequate Workload Standards.** The board was unable to provide specific workload standards for revising WDOs. The board currently computes these standards only for the WDO function as a whole, which includes the issuance of revised and *new* WDOs (18 per staff year). Because revisions are more limited in scope than totally new WDOs, the board *assumed* that 36 revisions per staff year could be processed. To enable legislative review of this request, the board should submit output data to justify the \$423,000 proposed for *revision* of WDOs.

- **Intergovernmental Personnel Act.** Board staff indicates that the revision of waste discharge orders will be an *ongoing* function. Ordinarily, this would be accomplished by additional engineer positions on the regional boards' permanent staff. The board indicates that if the \$423,000 were used to add permanent staff, it would provide 12.7 personnel-years. Under the budget proposal, however, the \$423,000 will be used to hire an undetermined number of employees from unidentified federal and/or local agencies pursuant to the federal Intergovernmental Personnel Act (IPA). Contracts under the IPA typically are limited to two years, with the salary set at the level earned by the employee at the "home agency." At the time our *Analysis* was prepared, the board did not know how many IPA employees would be hired, what salary they would be paid, or from what agencies they would be secured. Although the board has used IPA employees before, it has not attempted to hire so many at one time. Because the budget proposes a significant augmentation to hire IPA employees for an ongoing program, the board should provide the Legislature, before budget hearings, with the details of the number, salary levels, and source of the new employees to be hired.

Pending clarification of staff workload standards and receipt of a specific proposal for hiring staff under the Intergovernmental Personnel Act, we withhold recommendation on the \$423,000 requested to revise waste discharge orders.

Improvement of Data Management System Needed . . . or Waiting for the SWINE to Come Home

We recommend that Item 3940-001-001 be reduced by \$98,000 to eliminate support for an unjustified feasibility study. We further recommend that prior to budget hearings, the board submit a long-range plan for the effective coordination of the board's data management system for waste discharge orders.

At the time our *Analysis* was prepared, the board was proposing, devel-

STATE WATER RESOURCES CONTROL BOARD—Continued

oping, implementing, or evaluating five separate projects affecting data management in the regulatory program. These projects are:

1. *Waste Discharger System (WDS)*. The 1984-85 budget includes \$176,000 from the General Fund for the operation and maintenance of the automated Waste Discharger System (WDS).

The board's automated WDS, begun in 1978-79, is designed to compile data on all dischargers with a WDO, including information about each facility, the receiving water, treatment requirements, inspection or self-monitoring reports, and compliance schedules.

The WDS is useless for statewide information purposes, however, because three of the nine regions refuse to participate in the system. The nonparticipating regions indicate that the WDS duplicates manual systems, requires excessive staff time to update information, and the turnaround time for needed reports is excessive.

2. *Purchase of Microcomputers*. At the time our *Analysis* was prepared, the board was preparing a feasibility study for the purchase of 13 microcomputers. According to board staff, the U.S. Environmental Protection Agency may provide up to \$126,000 of federal funds to purchase the microcomputers and provide staff training. Twelve of the computers are to be distributed among the regional boards and one would be located at the state board. It is not clear how the board will use the microcomputers or how they will be linked to the WDS.

3. *Automated Compliance Checking Pilot Project*. The comparison of self-monitoring reports with standards established in waste discharge orders is a tedious, time-consuming task and often is one of the lowest priorities of board staff. As a result, self-monitoring reports are not always checked on a timely basis to ensure compliance. During the current year, the state board is undertaking a pilot project in three regions to automate the manual checking of self-monitoring reports. Evaluation of the pilot project will be completed in March 1984. There are no funds proposed in the budget to implement the project.

4. *Unidentified Feasibility Study*. The budget proposes \$98,000 from the General Fund for contract funds to "assess the potential for automating the board's regulatory activities and improving regulatory effectiveness." Board staff could not identify how these funds would be used. (As noted below, the board already is undertaking its own assessment of information needs in the current year.)

5. *SWINE*. Staff is currently involved in a three-month Statewide Information Needs Evaluation, or SWINE. The study, to be completed by March 1984, is designed to identify organizational planning, budgeting, and staffing needs. Although it is not specified in the study plan, we understand that coordination of the board's management information needs and processes is to be addressed in the report.

Board Recognizes Need for Better Data Management. The need to maintain current and reliable information on waste dischargers is crucial to the board's mission. This information is needed to allocate staff and resources among the regions and, on a regional basis, to protect the health and safety of the public by ensuring compliance with WDOs through regular inspections. The importance of data management was emphasized by the board in its November 1983 report on waste discharge fees. The report criticized the failure of three regions to participate in the Waste Discharger System and indicated that "Through oversight, a discharger could be dropped from compliance inspections; failure to submit self-

monitoring reports would go unnoticed, etc. More than one region has acknowledged that they have dischargers who were placed under requirements years ago and who have never been inspected and whose requirements have never been reviewed or updated.”

Our analysis indicates that the board's first priority should be greater utilization and coordination of *existing* data systems, rather than adding new systems. In addition, we believe it is premature to embark on an unspecified feasibility study prior to completion and review of the SWINE. Consequently, we recommend a reduction of \$98,000 in Item 3940-001-001 to eliminate funds for unidentified feasibility studies. We further recommend that the board expedite and expand the existing SWINE project to provide a long-range plan for the effective coordination of the board's data management system as it relates to the issuance, monitoring and enforcement of waste discharge orders. The plan, to be submitted prior to budget hearings, should provide for the full utilization of the WDS by all regional boards, the coordination of the proposed microcomputers with the WDS and an evaluation of the automated compliance checking pilot project.

Waste Discharge Fees Understated

We recommend that prior to budget hearings, the board report on the amount of waste discharge fees collected in 1983-84 and submit revised projections for 1983-84 and 1984-85.

Under existing law, each new report of a waste discharge, or a material change in a waste discharge, must be accompanied by a filing fee from the waste discharger. Reimbursements from the fees partially support the board's costs of issuing and revising waste discharge orders.

The accurate projection of fee revenues has been difficult since 1982, when the board implemented a new fee structure and increased the maximum filing fee from \$1,000 to \$10,000. For example, 1982-83 fee revenues were budgeted at \$884,000. Actual fee revenues for that year, however, were \$690,000. The 1983-84 budget also assumed that fee revenue would reach \$884,000, but this estimate was revised downward to \$465,000 by the Legislature. As a result, seven positions were eliminated.

The budget estimates that fee revenues will be \$539,000 in 1984-85. Based on experience during the past 18 months, revenue probably will be greater than this amount. For example, actual fee revenues for 1982-83 were \$690,000 and for the first six months of 1983-84 they were \$459,000, only \$6,000 less than what the budget estimates for all of 1984-85.

In previous *Analyses*, we have criticized the board's method of estimating revenue. Over the past year, the board has studied the projection and allocation of waste discharge fees. Based on this study, the board has revised its methodology to more accurately estimate fee revenue. At the time our *Analysis* was prepared, the board had revised its projections to \$787,000 for 1983-84 and \$721,000 for 1984-85.

Given the above, we recommend that the board report, prior to budget hearings, on actual waste discharge fee revenue collected for 1983-84, projected fee revenue for the remainder of 1983-84 and projected fee revenue for 1984-85. Any increase in estimated fee revenues could be used to fund additional staff or reduce General Fund costs. Any need for additional staff should be based on the workload standards to be developed by the board.

STATE WATER RESOURCES CONTROL BOARD—Continued

Underground Tank Program

Over the past several years, the leakage of hazardous substances from underground storage containers has become a major threat to California groundwater. For example, in the Santa Clara Valley, 81 sites have been identified where hazardous materials have leaked from underground storage tanks. Some of these leaks have contaminated municipal water wells to a degree that use of water from these wells has had to be discontinued.

During its 1983 session, the Legislature enacted two laws to identify and regulate the storage of hazardous substances in underground tanks. Chapter 1045, Statutes of 1983 (AB 2013) requires the state board to conduct a statewide inventory of underground tanks and to transmit the information to regional water quality control boards, cities and counties. Chapter 1046, Statutes of 1983 (AB 1362) establishes a permit program for the regulation and control of hazardous substances stored in underground tanks. Both measures authorize fees to cover state and local costs.

The 1984-85 budget requests \$2,539,000 from four fund sources and 52.2 staff years to implement Chapters 1045 and 1046 and continue cleanup and enforcement actions at known leak sites. Table 3 summarizes the proposed expenditures and funding sources for the new program.

Table 3
Underground Tank Program
1984-85 Proposed Expenditures and Staff
(dollars in thousands)

<i>Activity</i>	<i>Staff Years</i>	<i>General Fund</i>	<i>Under- ground Container Inventory Account</i>	<i>Under- ground Tank Storage Fund</i>	<i>Reim- burse- ments</i>	<i>Total</i>
Identification of Underground Tanks (AB 2013)	13.4	—	\$617	—	—	\$617
Regulation and Control of Underground Tanks (AB 1362)	18.2	\$550 ^a	—	\$51 ^b	\$210	811
Cleanup of Leaks and Enforcement Ac- tions.....	20.6	1,111	—	—	—	1,111
Totals	52.2	\$1,661	\$617	\$51 ^b	\$210	\$2,539

^a \$550,000 proposed long-term loan from the General Fund to the Underground Tank Storage Fund.

^b The Budget Bill appropriation is \$601,000, including \$550,000 from the long-term General Fund loan, and \$51,000 from the Underground Tank Storage Fund.

Identification of Underground Tanks. Chapter 1045 requires the board to compile a statewide inventory of underground tanks storing hazardous substances and transmit the information to the appropriate regional boards, cities, and counties no later than January 1, 1985. Most persons storing hazardous substances are required to file a statement with the state board by July 1, 1984. For underground storage on farms, the deadline is October 1, 1984. Each statement must include a filing fee of \$5 per tank for retail motor vehicle fuel tanks and \$10 per tank for all others. Fee revenue will be deposited in the Underground Container Inventory Account (UCIA) of the General Fund, established by Chapter 1045.

The budget requests \$617,000 to support 13.4 personnel-years to compile, review and transmit the required inventory information. (The board

is developing and distributing the forms in the current year.) The total also includes 2.7 personnel-years for enforcement actions against tank owners and operators who fail to comply with the filing requirements. The budget anticipates fee revenues of \$750,000, during 1984-85, which is \$133,000 more than proposed expenditures from the UCIA. The revenue estimate assumes that statements will be received covering 100,000 tanks; half at the \$5 fee and half at the \$10 fee. The anticipated \$133,000 surplus will be carried over to 1985-85.

Regulation and Control of Underground Tanks. Chapter 1046 establishes a major new permitting and monitoring program to prevent the leakage of hazardous substances from underground tanks. This program is in addition to the tank identification program required by Chapter 1045. Generally, no person may own or operate an underground storage tank unless a permit, effective for five years, has been issued by the responsible local agency (city or county). The State Water Resources Control Board must (1) develop permit forms and applications, (2) maintain a statewide data base, including records of unauthorized releases and enforcement actions, (3) develop program regulations by January 1, 1985, and (4) consider requests for variances from applicants and local agency requests to implement more stringent standards. Cities and counties will implement the program and charge fees to cover their costs of administration and a surcharge, determined by the Legislature, to cover the state board's costs.

The budget requests \$811,000 for 18.2 personnel-years to (1) develop and adopt regulations (2.5 personnel-years), (2) provide technical assistance to local agencies in implementing permit programs (3.3 personnel-years), (3) establish the data base (2.6 personnel-years), and (4) consider requests from local agencies to implement standards more stringent than the state board's (5.0 personnel-years). Item 3940-001-475 of the Budget Bill includes language to establish the surcharge fee at \$28 per permit application.

According to the board, the surcharge fee of \$28 is based on an estimated six-year cost to the state board of \$2.8 million (one year to develop and implement regulations and 5 years of permitting assistance to local agencies) and an estimate that 100,000 tanks will be subject to the surcharge. The board estimates that permits will not be issued until late in 1984-85, so that 1984-85 state revenue from the permit surcharge will be only \$55,000. In addition, the board estimates that it will receive \$210,000 from fees for variance requests in 1984-85. Total estimated revenue, therefore, is only \$265,000, which is \$546,000 less than the amount of expenditures proposed for 1984-85. The budget proposes to make-up the difference by borrowing \$550,000 on a long-term basis from the General Fund (Item 3940-011-001). The loan is to be repaid from future surcharge revenue.

Cleanup and Enforcement. The budget requests \$1,111,000 from the General Fund and 20.6 staff years to investigate, monitor, and oversee clean-up of known leak sites, primarily in the San Francisco Region. The work plan includes staff to (1) review and compile the results of leak detection programs (4.2 staff years), (2) follow-up enforcement actions (1.3 staff years), and (3) review, approve, and monitor corrective actions (11.9 staff years). The request also includes \$138,000 for laboratory analyses.

STATE WATER RESOURCES CONTROL BOARD—Continued**Progress Reports Needed on Underground Tank Program**

We recommend that prior to budget hearings, the board report on the status of the underground tank leak detection program. We further recommend that the Legislature adopt supplemental report language directing the board to submit by October 1, 1984, an updated workplan for the program and a revised estimate of the number of underground tanks identified pursuant to Ch 1045/83.

Chapters 1045 and 1046 took effect on January 1, 1984. At the time our *Analysis* was prepared, the board had just completed workplans and had begun to implement the legislation.

Because the number of underground tanks in California has not been determined, many of the assumptions regarding workload, expenditures, and revenues are highly speculative. Nevertheless, our analysis of the board's proposed program indicates that generally, the board has made reasonable assumptions and is moving responsibly to meet the legislative mandate. There are several issues, however, which we believe should receive legislative review.

Number of Underground Tanks. The expenditure and revenue estimates proposed in the budget assume that 100,000 underground tanks will receive permits. The state board indicates that the estimate is conservative and that the number may be as large as 200,000. The actual number of tanks won't be known until the survey required by Chapter 1045 is completed and tabulated, probably in the spring of 1985.

Many Tanks May be Exempt from the Surcharge. Chapter 1046 exempts from the surcharge those tanks in localities that adopted their own tank permitting ordinances prior to January 1, 1984.

At the time the budget was prepared, it was assumed that few localities would enact ordinances by January 1, 1984. The board indicates, however, that at least 35 local governments adopted their own ordinances before January 1, 1984, including the Counties of Los Angeles, Sacramento, San Bernardino, San Francisco and Santa Clara and the Cities of Long Beach, Los Angeles, Sacramento and San Jose. Given the large number of tanks located in these areas, state surcharge revenue may be less than expected.

Determination and Application of the Surcharge. As previously discussed, the budget proposes to set the surcharge at \$28 per permit. The board's revenue estimate assumes that the surcharge will be collected for every tank covered by Chapter 1046. Budget Bill language in Item 3940-001-475, however, provides that the \$28 surcharge will be applied against each permit *application* and the board is planning to allow more than one tank per application. This discrepancy should be resolved.

Source of Funds for 1983-84 Costs. The board estimates that it will allocate approximately 6.5 staff years and \$88,000 in contract funds to begin implementation of Chapters 1045 and 1046 during the current year. At the time our *Analysis* was prepared, the source of these funds had not been specified. (Revenue collections from fees and surcharges generally will not begin until 1984-85.) The board was attempting to negotiate an amendment to a federal grant with the U.S. Environmental Protection Agency for \$317,000 to cover current-year costs.

Successful implementation of the underground tank leak detection program is essential to maintaining and improving the quality of California's groundwater supplies. Because of the uncertainties discussed above, we

recommend that the board submit, prior to budget hearings, a report on the status of the underground tank leak detection program. The report should include a revised work plan for implementation of board responsibilities under Chapters 1045 and 1046, an estimate of the number of tanks exempt from the surcharge, a recomputation of the surcharge to adjust for the number of exempt tanks, and a clarification of funding sources in 1983-84 for activities related to Chapters 1045 and 1046.

We further recommend that the Legislature adopt the following supplemental language directing the board to submit a second progress report by October 1, 1984.

"Underground Tank Leak Detection Program. The State Water Resources Control Board shall report by October 1, 1984 on the status of the underground tank leak detection program. The report shall include (a) an updated work plan for implementation of board responsibilities under Ch 1045/83 and Ch 1046/83 and (b) a revised estimate of the number of underground tanks in California as identified by applications received pursuant to Ch 1045."

General Fund Loan Provisions Require Modification

We recommend that the Legislature adopt Budget Bill language in Item 3940-011-001 to provide for (1) 30 days' notice to the Joint Legislative Budget Committee prior to the transfer of funds from the General Fund to the Underground Tank Storage Fund and (2) payment of interest on the loan at the interest rate earned by the Pooled Money Investment Account.

The Budget Bill (Item 3490-011-001) proposes a long-term loan of \$550,000 from the General Fund to the Underground Tank Storage Fund (UTSF) to cover the costs of developing regulations and overseeing the underground tank permit program in 1984-85. The budget assumes that local governments will not implement the tank permit program until late 1984-85 and that the state will receive only \$55,000 of surcharge revenue during the budget year. The board's costs for 1984-85, for this program however, are estimated at \$601,000. The long-term loan would be used to close this \$546,000 gap.

We agree that a loan is needed to provide funding for the program during 1984-85. We recommend, however, that the Legislature make two modifications to the Budget Bill language concerning the loan:

Legislative Notification. The Budget Bill language provides for transfer of the funds to the UTSF upon written approval of the Department of Finance. Because of the many uncertainties about program costs and revenues in 1984-85, however, we believe the Legislature should be notified prior to any transfer. Therefore, we recommend that the Legislature revise Budget Bill language in Item 3940-011-001 to provide that the loan funds may be transferred to the Underground Tank Storage Fund "upon written approval of the Department of Finance no sooner than 30 days after the Director of Finance has notified the Chairman of the Joint Legislative Budget Committee of the intended transfer."

No Interest Charges Specified. Because of the loan, the General Fund will forego interest earnings from the Pooled Money Investment Account during 1984-85 and subsequent years. The Budget Bill language, however, does not include a provision for interest payments on the loan. Consequently, we recommend that the following language be added to Item 3940-011-001 to the General Fund for lost interest earnings.

STATE WATER RESOURCES CONTROL BOARD—Continued

“2. Interest shall be charged on the loan at the rate earned by the Pooled Money Investment Account (Section 16314 of the Government Code).”

Water Rights Fees Should be Increased

We recommend enactment of legislation to increase water rights application and permit fees to partially offset increased processing costs.

Persons who wish to divert surface water, or water in subterranean streams, in California must make an application to the board for a permit and license to appropriate the water. The board then determines whether unappropriated water is available, taking into account the amounts of remaining flow needed for beneficial uses which are in the public interest. The board notifies the public of each permit application. If an application is protested, the board conducts hearings before acting. Each application requires an environmental impact report, a negative declaration, or a notice of exemption.

The budget proposes \$3 million in 1984–85 for 52.1 personnel-years to review water rights applications. Historically, the cost of this process has been shared between the General Fund and those receiving the direct benefit from the process—the water rights applicants. Existing law establishes a fee schedule based on the amount of water to be diverted. The rate is \$4 per cubic foot per second (CFS), up to 100 CFS, and then declines to a rate of 25 cents per CFS for diversions of 2,000 CFS and more. There is a minimum fee of \$10.

The minimum fee and fee schedule for water rights applicants were set in 1969. While fees have remained constant, board costs for processing water rights applications have more than tripled, from \$800,000 in 1969–70 to approximately \$3 million in 1984–85. The \$2.2 million increased cost has been paid from the General Fund.

The board estimates that fees will provide \$37,000 in 1984–85 or 1.2 percent of program costs. We believe an increase in the fee to help pay the increased costs of processing applications is long overdue. Any increase in fee revenue would result in an equal savings to the General Fund. In last year's *Analysis*, we recommended enactment of legislation to increase the fees.

During its 1983 session, the Legislature passed AB 2050 (Isenberg) which required the board to adopt a new fee schedule by July 1, 1984. The bill left the final determination of the fee level to the board. The Governor, however, vetoed AB 2050 indicating that “while there may be a need to raise water right application fees. . . this process should not be removed from direct legislative review and approval.”

There is general agreement that water rights fees should be increased. The only disagreement involves the size of the increase and the appropriate body to set the fees. Both of these issues can be resolved through legislation which specifies the amounts of the new fees.

Accordingly, we recommend enactment of legislation to at least triple the fees charged applicants for water rights permits in order to increase fees in line with the increase in program costs. If total fee revenues were tripled, this would result in savings of approximately \$74,000 to the General Fund.

Further EDP Enhancement Should be Justified

We recommend that the Legislature adopt Budget Bill language in Item 3940-001-001 requiring 30 days' advance notification to the Legislature before \$317,000 appropriated for enhancement of the automated water rights information system is encumbered.

The processing and evaluation of water rights permits is a very labor-intensive operation. Over the past several years, the board has been developing an Automated Water Rights Information System (AWRIS) to automate the more routine functions of the old system. Implementation of the AWRIS was completed in 1982-83.

The 1984-85 budget includes \$317,000 from the General Fund for the first-year costs of a three-year program to expand and enhance AWRIS. The request includes \$76,000 for two additional positions at the board, \$105,000 for work provided by the Teale Data Center and \$136,000 in contract funds for programming work. The expansion has the following three major objectives: (1) develop a "plotter program" to map the locations of water diversions, (2) develop stream models to estimate the availability of water for appropriation, and (3) provide for an online inquiry system. These are not new activities but they currently are done manually.

At the time our *Analysis* was prepared, the board had no information to (1) justify the amount requested, (2) accurately estimate the three-year total cost of the project, or (3) verify the savings or cost avoidance that would result from implementation. The feasibility study for these systems, which should provide the necessary information, is not scheduled for completion until April 1984. Review and approval by the State Office of Information Technology may extend into 1984-85.

Although we believe the concept of automating the board's systems has considerable merit, full automation should not proceed until a feasibility study has been prepared and approved. Consequently, we recommend that (1) the \$317,000 budgeted for expansion of AWRIS be approved and (2) advance notification be provided to the Legislature before these funds are used. The following language would accomplish the second part of our recommendation:

"Provided further that \$317,000 budgeted for enhancement of the Automated Water Rights Information System (AWRIS) may be encumbered no sooner than 30 days after the Department of Finance has provided the Joint Legislative Budget Committee with an approved feasibility report in support of further automation."