

**SEA GRANT PROGRAM**

Item 3110-001 from the General

Fund

Budget p. R 1

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Requested 1988-89.....	\$525,000
Estimated 1987-88 .....	520,000
Actual 1986-87 .....	514,000
Requested increase \$5,000 (+1.0 percent)	
Total recommended reduction.....	None

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**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 approved research costs. The remaining one-third of the project costs must be provided from nonfederal sources.

The state historically has provided funds to the Resources Agency for distribution to higher education institutions involved in the Sea Grant program. Most of these funds are applied toward the one-third project match required by the federal government. A portion of these funds also is used to support administrative staff for Sea Grant programs at the University of California and the University of Southern California.

In 1986-87, institutions within California received \$3.8 million in federal funds for Sea Grant projects. The federal funds were matched with \$2.1 million in funds and in-kind services, including the state funds provided under this item in the 1986 Budget Act. Similar funding levels are estimated for the current year.

**ANALYSIS AND RECOMMENDATIONS***We recommend approval.*

The budget proposes a General Fund appropriation of \$525,000 to continue support for the Sea Grant program in 1988-89. This amount is consistent with the statutory allocation approved by the Legislature in Ch 1079/86, and represents a one percent increase over the current-year allocation. The General Fund will be reimbursed for this appropriation from tidelands oil revenues.

Under existing law, statutory allocations to the Sea Grant program cease after 1988-89. The law states that in 1988-89 the Legislature shall determine if similar allocations should be continued in future years.

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**Resources Agency**  
**TAHOE REGIONAL PLANNING AGENCY**

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

Budget p. R 1

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Requested 1988-89.....	\$1,187,000
Estimated 1987-88 .....	1,248,000
Actual 1986-87 .....	1,038,000
Requested decrease \$61,000 (—4.9 percent)	
Total recommended reduction.....	None

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**1988-89 FUNDING BY ITEM AND SOURCE**

Item—Description	Fund	Amount
3110-101-001—California share of support	General	\$777,000
3110-101-140—Various activities	Environmental License Plate	410,000
Total		\$1,187,000

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**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 U.S. 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, the President, and the states in 1980. Among other things, the revised compact required the TRPA to adopt a new regional plan and implementing ordinances by June 1983. A new plan was adopted by the TRPA governing board in April 1984. However, the adequacy of the plan was challenged in court by the California Attorney General and the League to Save Lake Tahoe. This litigation led to a court-ordered federal injunction that halted almost all development in the Tahoe basin. In June 1987 the TRPA acted to begin formal adoption of a revised regional plan and accompanying ordinances as part of a recent litigation settlement agreement. The court lifted the development injunction at the time of the settlement.

**OVERVIEW OF THE BUDGET REQUEST**

The budget proposes two appropriations totaling \$1.2 million as California's share of support for the TRPA in 1988-89. This amount consists of \$777,000 from the General Fund and \$410,000 from the Environmental License Plate Fund (ELPF). This is a decrease of \$61,000, or 4.9 percent, from the amount provided by California in the current year.

The TRPA also receives funds from Nevada, local governments and various other sources. Under the compact, California's contribution to TRPA support is twice Nevada's contribution.

Table 1 summarizes the TRPA's sources of funds for 1988-89. The agency proposes total expenditures of \$2.4 million in 1988-89. This amount

**TAHOE REGIONAL PLANNING AGENCY—Continued**

is \$258,000, or 9.6 percent, less than total estimated current-year expenditures.

**Table 1**  
**Tahoe Regional Planning Agency**  
**Sources of Funds**  
**1988-89**  
**(dollars in thousands)**

<i>Funding Source</i>	<i>Amount</i>
California .....	\$1,187
Nevada .....	594
Local governments .....	150
Interest income .....	100
Grants and contracts .....	240
Filing fee income .....	150
Fines and forfeitures .....	15
Other .....	5
Total .....	\$2,441

Table 2 summarizes the proposed changes in California's support for the agency during 1988-89, by fund.

**Table 2**  
**Tahoe Regional Planning Agency**  
**Proposed Budget Changes, by Fund**  
**1988-89**  
**(dollars in thousands)**

	<i>General Fund</i>	<i>Environmental License Plate Fund</i>	<i>Totals</i>
1987-88 Expenditures (Revised) .....	\$702	\$546	\$1,248
<i>Baseline Adjustments</i>			
One-time Study, Individual Parcel Evaluation System (IPES) .....	—	-254	-254
Other one-time costs .....	—	-192	-192
Subtotals, Baseline Adjustments .....	(—)	(- \$446)	(- \$446)
<i>Workload Changes</i>			
Additional full-time and seasonal positions .....	\$75	—	\$75
<i>Program Changes</i>			
Increase environmental monitoring .....	—	180	180
Community planning assistance .....	—	80	80
IPES water quality monitoring .....	—	50	50
Subtotals, Program Changes .....	(—)	(\$310)	(\$310)
1988-89 Expenditures (Proposed) .....	\$777	\$410	\$1,187
Change from 1987-88			
Amount .....	\$75	-\$136	-\$61
Percent .....	10.7%	-24.9%	-4.9%

**ANALYSIS AND RECOMMENDATIONS**

*We recommend approval.*

As shown in Table 2, the budget requests funds for three specific TRPA programs which are related to aspects of the recent litigation settlement agreement concerning the Tahoe basin regional plan. The proposed increase of \$180,000 for environmental monitoring would make a total of \$280,000 available for that purpose. In addition, TRPA requests \$80,000 to

continue assisting local communities with planning efforts, and \$50,000 for water quality monitoring related to the recent individual parcel evaluations. Table 2 also indicates that the budget does not provide any increase for ongoing TRPA staff costs or operating expenses. The Department of Finance indicates that this is due to its general policy of not including any discretionary cost-of-living adjustments in local assistance items.

### Resources Agency CALIFORNIA TAHOE CONSERVANCY

Item 3125 from the General  
Fund and various funds

Budget p. R 2

Requested 1988-89.....	\$3,478,000
Estimated 1987-88 .....	3,217,000
Actual 1986-87 .....	4,867,000
Requested increase (excluding amount for salary increases) \$261,000 (+8.1 percent)	
Total recommended reduction.....	None
Recommended funding shift.....	70,000

#### 1988-89 FUNDING BY ITEM AND SOURCE

Item—Description	Fund	Amount
3125-001-001—Support	General	\$775,000
3125-001-720—Support	Lake Tahoe Acquisitions (Bond)	658,000
3125-101-140—Erosion control grants	Environmental License Plate	1,000,000
3125-101-890—Erosion control grants	Federal Trust	1,000,000
3125-490—Reappropriation, local assistance	Environmental License Plate	(140,000)
3125-491—Reappropriation, local assistance	Energy and Resources	(900,000)
Budget Act of 1987—Support	Federal funds	45,000
Total		\$3,478,000

#### SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

*Analysis  
page*

1. **Funding Shift.** Reduce Item 3125-001-720 by \$70,000 and Increase Item 3125-001-001 by \$70,000. Recommend funding increased property management activities from the General Fund because existing law does not allow use of the Lake Tahoe Acquisitions (Bond) Fund for this purpose.

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#### GENERAL PROGRAM STATEMENT

Chapters 1222 and 1239, Statutes of 1984, established the California Tahoe Conservancy and designated it as the lead agency for purposes of implementing the \$85 million Tahoe Acquisitions Bond Act of 1982 and acquiring environmentally sensitive and other undeveloped lands in the Lake Tahoe Basin. The conservancy also is authorized to use other available funds for (1) the acquisition of developed and partially devel-

**CALIFORNIA TAHOE CONSERVANCY—Continued**

oped lands, and (2) the improvement and development of acquired lands for the purposes of recreation, protecting the natural environment, and providing public access.

The conservancy has a seven-member governing board composed of the Secretary for Resources and the Director of Finance, plus one member each appointed by the South Lake Tahoe City Council, the Placer County Board of Supervisors, the El Dorado County Board of Supervisors, the Senate Rules Committee and the Speaker of the Assembly. In addition, a representative of the U.S. Secretary of Agriculture serves as an ex officio, nonvoting member.

The conservancy's office is located in South Lake Tahoe. It has 18 personnel-years in the current year.

**OVERVIEW OF THE BUDGET REQUEST**

The conservancy's budget proposes expenditures totaling \$3.5 million for support and local assistance in 1988-89. This is an increase of \$261,000, or 8.1 percent, from estimated current-year expenditures. The increase is due entirely to proposed adjustments to the conservancy's support budget for staff and operating expenses because of increased workload. The total amount requested for local assistance is the same as the amount estimated to be expended in the current year. However, the 1988-89 budget proposes a shift between funding sources. The budget also proposes to reappropriate \$45,000 in federal funds originally appropriated to the conservancy in 1986 for soil erosion control grants. The conservancy will use these funds to support one staff position to help administer its soil erosion control grants program through December 1988. (Federal funds appropriated to the conservancy are from California's share of federal offshore oil revenues pursuant to Section 8(g) of the federal Outer Continental Shelf Lands Act.)

Table 1 provides a summary of the conservancy's expenditures for support and local assistance from 1986-87 through 1988-89.

**Table 1**  
**California Tahoe Conservancy**  
**Summary of Expenditures and Funding Sources**  
**1986-87 through 1988-89**  
**(dollars in thousands)**

	<i>Personnel-Years</i>			<i>Expenditures</i>			<i>Percent Change From</i>
	<i>Actual 1986-87</i>	<i>Est. 1987-88</i>	<i>Prop. 1988-89</i>	<i>Actual 1986-87</i>	<i>Est. 1987-88</i>	<i>Prop. 1988-89</i>	
<i>Program</i>							
Support .....	14.1	18.0	20.0	\$1,115	\$1,217	\$1,478	21.4%
Erosion Control Grants .....	—	—	—	3,752	2,000	2,000	—
Totals .....	14.1	18.0	20.0	\$4,867	\$3,217	\$3,478	8.1%
<i>Funding Sources</i>							
<i>Support:</i>							
General Fund .....				\$758	\$760	\$775	2.0%
Lake Tahoe Acquisitions (Bond) Fund .....				201	321	658	105.0
Federal funds .....				156	136	45	-66.9
<i>Local Assistance:</i>							
Environmental License Plate Fund .....				—	1,500	1,000	-33.3
Federal funds .....				3,752	500	1,000	100.0

Table 2 summarizes the proposed changes in the conservancy's support budget for 1988-89.

**Table 2**  
**California Tahoe Conservancy**  
**Proposed Budget Changes, by Fund**  
**1988-89**  
 (dollars in thousands)

	<i>General Fund</i>	<i>Lake Tahoe Acquisi- tions Fund</i>	<i>Environ- mental License Plate Fund</i>	<i>Federal Funds</i>	<i>Totals</i>
1987-88 Expenditures (Revised) .....	\$760	\$321	\$1,500	\$636	\$3,217
<i>Baseline Adjustments</i>					
Miscellaneous increases .....	15	7	—	—	22
<i>Workload Changes</i>					
Conversion of limited-term positions to permanent .....	—	64	—	-64	—
Conversion of temporary help positions to permanent .....	—	24	—	—	24
Increase in temporary help .....	—	69	—	—	69
Upgrade of three positions .....	—	22	—	—	22
Increased property management activities .....	—	70	—	—	70
Miscellaneous adjustments in operating expenses .....	—	81	—	-27	54
Subtotals, Workload Changes .....	(—)	(\$330)	(—)	(-\$91)	(\$239)
<i>Program Changes</i>					
Local assistance grants for erosion control projects .....	—	—	-500	500	—
1988-89 Expenditures (Proposed) .....	\$775	\$658	\$1,000	\$1,045	\$3,478
Change from 1987-88:					
Amount .....	\$15	\$337	-\$500	\$409	\$261
Percent .....	2.0%	105.0%	-33.3%	64.3%	8.1%

## ANALYSIS AND RECOMMENDATIONS

We recommend approval of all proposed changes shown in Table 2, except as discussed below. We also recommend approval of two proposed reappropriations to allow for project completions.

### Property Management Activities Not Eligible For Bond Funds

*We recommend that the \$70,000 requested for increased property management activities be funded from the General Fund rather than from the Lake Tahoe Acquisitions (Bond) Fund because the bond fund cannot be used for this purpose. (Reduce Item 3125-001-720 by \$70,000 and increase Item 3125-001-001 by \$70,000.)*

The budget requests \$70,000 in bond funds for increased operating expenses for day-to-day activities to manage the conservancy's holdings. According to the conservancy, these activities include the removal of dead or hazardous trees, the cleanup of accumulated trash, and the resolution of encroachment and trespass issues.

The requested increase appears reasonable. The 1982 Tahoe Bond Act, however, authorizes the conservancy to spend bond funds only on activities that are directly related to land *acquisition*. Consequently, property *management* activities do not qualify for bond funds. Tradi-

**CALIFORNIA TAHOE CONSERVANCY—Continued**

tionally, the General Fund has been used to fund the conservancy's property management activities. Accordingly, we recommend that the \$70,000 in operating expenses requested for increased property management activities be funded from the General Fund rather than from the Lake Tahoe Acquisitions Fund.

**CALIFORNIA TAHOE CONSERVANCY—CAPITAL OUTLAY**

Item 3125-301 from the Lake  
Tahoe Acquisitions Fund and  
Federal Trust Fund

Budget p. R 5

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Requested 1988-89.....	\$10,000,000
Recommended approval.....	10,000,000
Recommended reduction.....	None

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**OVERVIEW OF THE BUDGET REQUEST**

The budget proposes an appropriation of \$10 million from the Lake Tahoe Acquisitions (Bond) Fund for California Tahoe Conservancy capital outlay in 1988-89. The budget estimates that another \$16 million in carry-over balances will be available for capital outlay in the budget year. Thus, the budget projects total expenditures of \$26 million for conservancy capital outlay in 1988-89.

**Bond Funds.** The budget proposes that a total of \$25 million be made available for bond act acquisitions in 1988-89. This amount consists of the new \$10 million appropriation and a carry-over of \$15 million of bond funds from prior-year appropriations. Total proposed bond fund expenditures are about \$5 million more than the conservancy expects to spend from bond funds in the current year. The proposed new appropriation and status of the bond fund acquisition program are discussed in greater detail below.

**Status of Litigation Settlement Acquisitions.** The budget also anticipates the carry over into 1988-89 of \$1 million appropriated in the current year from the state's share of federal offshore oil revenues. The conservancy indicates that it will use these funds for site improvements, acquisition of developed property, and project planning.

Over the past two years, the conservancy has received a total of \$10.5 million from federal funds for projects which do not qualify for bond funds. The 1986 Budget Act required that the conservancy give first priority for use of most of these funds to acquisitions that are part of settlements recommended by the Attorney General to resolve litigation over past land-use regulation in the Tahoe basin. The conservancy indicates that, by the end of the current year, it will have acquired properties at Glenridge, Moon Dunes, Eagle Rock, the Upper Truckee Marsh, and Heavenly Valley in accordance with this requirement. According to the conservancy, these five projects comprise all settlement-related acquisitions that meet the 1986 Budget Act mandate as well as the conservancy's acquisition policy (cases where the land has

value in terms of enhanced recreation and access or environmental protection). Thus, the balance of \$1 million available in the budget year will be used for those other purposes identified by the conservancy which are ineligible for Bond Act funding.

## **ANALYSIS AND RECOMMENDATIONS**

### **Additional Bond Funds Requested**

*We recommend approval.*

The conservancy requests \$10 million in bond funds to purchase property at Lake Tahoe, pursuant to the 1982 Lake Tahoe Acquisitions Bond Act. The conservancy proposes to allocate this amount for the acquisition of undeveloped land as follows:

- \$5 million for environmentally sensitive and other lands;
- \$2 million for lands providing public access or recreation;
- \$1 million for lands providing preservation of wildlife habitat; and
- \$2 million for land needed for soil erosion control project grants to other public agencies or nonprofit organizations.

The Budget Bill contains language exempting conservancy acquisitions valued at less than \$250,000 and all local assistance grants from Public Works Board review. This is consistent with legislative policy in prior years.

**Status of the Lot Acquisition Program.** The conservancy indicates that approximately 6,000 environmentally sensitive lots are located on the California side of the Tahoe Basin. Thus far, the conservancy has contacted the owners of 5,200 of these lots about possible acquisition and has received positive responses from the owners of more than 3,000 lots. As of December 1987, the conservancy had authorized the acquisition of 1,920 lots at an average cost of about \$10,700 for total costs of \$20.9 million (plus transaction costs such as appraisal fees, title insurance, and escrow fees). The conservancy estimates that, by the end of the current year, it will have authorized the acquisition of a total of up to 3,200 lots with typical values ranging between \$11,000 and \$15,000 per lot.

**Anticipated Progress Through 1988-89.** Table 1 shows the projected status of the Lake Tahoe Acquisitions (Bond) Fund at the end of 1988-89, based on the budget request and the conservancy's expenditure plans. By that time, the conservancy expects to have spent a total of \$71.2 million from the bond fund since it began operations in 1985, including the \$10 million requested by the budget for capital outlay in 1988-89. A reserve of \$13.8 million would remain available for future appropriation and expenditure.

The request for an additional \$10 million in bond funds appears reasonable, given the conservancy's statutory mandate and the uncertainty inherent in estimating the number of lot owners who will accept the conservancy's offers.



**CALIFORNIA TAHOE CONSERVANCY—CAPITAL OUTLAY—Continued****Table 1****Projected Status of Lake Tahoe Acquisitions (Bond) Fund  
June 30, 1989****(dollars in thousands)**

Total bonds authorized.....		\$85,000
Cumulative appropriations through 1988-89:		
Support.....	\$1,217	
Capital Outlay:		
Lot acquisition program.....	60,000	
Acquisition grants for soil erosion projects .....	4,000	
Access and recreation lands.....	4,000	
Wildlife lands.....	<u>2,000</u>	
Total, cumulative appropriations through 1988-89, approved and proposed.....		<u>\$71,217</u>
Remaining reserve—June 30, 1989.....		\$13,783

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

Item 3300 from the State  
 Energy Loan Fund Account,  
 General Fund

Budget p. R 11

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Requested 1988-89.....	\$303,000
Estimated 1987-88 .....	278,000
Actual 1986-87 .....	260,000
Requested increase (excluding amount for salary increases) \$25,000 (+9 percent)	
Total recommended reduction.....	None

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**GENERAL PROGRAM STATEMENT**

The State Assistance Fund for Energy, California Business and Industrial Development Corporation (SAFEIDCO) was created by Ch 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 obtains federal Small Business Administration (SBA) guarantees for up to 90 percent of each loan it makes. It then sells the guaranteed portion of the loan to investors, and uses the proceeds to make additional loans. As a result, SAFEIDCO could have loans outstanding with a principal amount that is up to 10 times the amount of state funds provided to the corporation.

The corporation finances its operating expenses from two sources: (1) the difference between the interest rate charged by the corporation to loan recipients and the 6 percent interest rate paid by the corporation to the state on the corporation's outstanding indebtedness and (2) the premiums paid by investors to the corporation for the portion of the loans guaranteed by the SBA.

Chapter 1338, Statutes of 1986 established within SAFEIDCO a program to provide low-interest loans to small businesses to finance the installation of energy conservation measures, electrical load management equipment or other devices to improve energy efficiency. The act

continuously appropriates \$3 million from federal funds in the Petroleum Violation Escrow Account (PVEA) and future loan repayments to implement the program.

### OVERVIEW OF THE BUDGET REQUEST

The budget proposes an appropriation of \$303,000 from the State Energy Loan Fund (SELF) to SAFEBCO in 1988-89. This is the maximum amount of loan repayments (principal and interest) that the corporation expects to deposit in the SELF during 1987-88 (repayments to the SELF in 1988-89 will not be made until June 30, 1989, thus will not be available until 1989-90).

The SELF originally received \$2.5 million in state funds and operates as a revolving loan fund for SAFEBCO. Repayments deposited in the fund are relented to the corporation through annual budget appropriations. As of December 1987, the corporation had loaned a total of \$6.9 million to small businesses. It expects to loan approximately \$1 million under this loan program in 1988-89.

The \$303,000 appropriation requested for 1988-89 is \$25,000, or 9 percent, more than the \$278,000 SAFEBCO expects to borrow from the SELF during the current year. These funds will be used by SAFEBCO to make more loans to small businesses.

The Budget Bill requests an appropriation of \$303,000 from the SELF, however; the budget document shows expenditures of only \$190,000 in 1988-89. The difference—\$113,000—is the amount of principal from past loans that SAFEBCO will repay the SELF in 1987-88. The budget document subtracts this amount from the total proposed expenditure of \$303,000 for a net expenditure of \$190,000.

In addition to funds from the SELF, the SAFEBCO anticipates spending a total of about \$3 million in 1987-88 from PVEA funds provided in Ch 1338/86 for loans and administrative costs associated with the new low-interest loan program.

### ANALYSIS AND RECOMMENDATIONS

*We recommend approval.*

The budget request appears reasonable and is consistent with the statutory policy established by the Legislature for funding SAFEBCO.

### Resources Agency

### CALIFORNIA CONSERVATION CORPS

Item 3340 from the General  
Fund and Energy Resources  
Programs Account

Budget p. R 12

Requested 1988-89.....	\$58,114,000
Estimated 1987-88 .....	48,711,000
Actual 1986-87 .....	47,910,000
Requested increase (excluding amount for salary increases)	
\$9,403,000 (+19.3 percent)	
Total recommended reduction.....	4,039,000
Recommendation pending .....	987,000

**CALIFORNIA CONSERVATION CORPS—Continued****1988-89 FUNDING BY ITEM AND SOURCE**

Item—Description	Fund	Amount
3340-001-001—Support	General	\$44,420,000
3340-001-465—Support	Energy Resources Programs Account, General	6,206,000
Reimbursements	—	7,488,000
Total		\$58,114,000

**SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS**

- |   |                          |
|---|--------------------------|
|   | <i>Analysis<br/>page</i> |
| 1. <i>Homeless Youth Referral Pilot Project. (Reduce Item 3340-001-001 by \$794,000, Item 3340-001-465 by \$106,000 and reimbursements by \$68,000.)</i> Recommend deletion of \$968,000 because the administration of, and funding for, this program is better addressed in pending legislation.   | 298                      |
| 2. <i>New Homeless Program. (Reduce Item 3340-001-001 by \$2,294,000, Item 3340-001-465 by \$308,000 and reimbursements by \$196,000.)</i> Recommend reduction of \$2.8 million because expanding the CCC program has not been justified. Alternatively, the Legislature may wish to redirect funds to other programs serving the homeless. | 299                      |
| 3. <i>Special Repairs. (Reduce Item 3340-001-001 by \$204,000, Item 3340-001-465 by \$29,000, and reimbursements by \$38,000.)</i> Reduce by \$271,000 to eliminate double-budgeting and because one project should be submitted as a minor capital outlay project.   | 301                      |
| 4. <i>Merit Incentive Program.</i> Withhold recommendation on \$987,000 in Item 3340-001-001 for scholarship/bonus program, pending receipt and analysis of additional information to justify the request and evaluate the program's success.   | 301                      |

**GENERAL PROGRAM STATEMENT**

The California Conservation Corps (CCC) was established by Ch 342/76 to: (1) conserve and enhance the state's natural resources and environment and (2) provide meaningful on-the-job training and educational opportunities to California residents aged 18 through 23. The CCC was expanded by Ch 1710/84 and Ch 1606/85 to develop community conservation corps in neighborhoods with large concentrations of minority youth and high youth unemployment.

The CCC's headquarters is in Sacramento. It operates 17 residential base centers, 32 satellite centers, and a corpsmember training academy in Camp San Luis Obispo. The CCC also provides funding for 12 community conservation corps—5 sponsored by local governments and 7 sponsored by nonprofit organizations. The budget for the current year provides funding for a total of 2,100 corpsmember-years plus 409 supervisory and administrative personnel-years.

**OVERVIEW OF THE BUDGET REQUEST**

The budget proposes expenditures totaling \$58.1 million in 1988-89. This is an increase of \$9.4 million, or 19 percent, over estimated current-year expenditures. Two budget proposals account for most of the increase. First, the CCC requests \$4.2 million to increase corpsmember salaries due to the change in California's minimum wage. Second, the

budget proposes \$3.8 million to expand the CCC by establishing a new program for homeless young adults and single parents. Total proposed expenditures in 1988-89 consist of (1) \$44.4 million from the General Fund, (2) \$6.2 million from the Energy Resources Programs Account (ERPA), and (3) \$7.5 million in reimbursements, including payments from non-General Fund-supported departments for work done by the CCC.

Table 1 provides a three-year summary of the corps' expenditures by program and funding source. Table 1 also shows that the corps' staff will increase by 30.4 personnel-years (PYs) in the budget year. Most of this increase (17 PYs), is associated with the proposed homeless program.

**Table 1**  
**California Conservation Corps**  
**Budget Summary**  
**1986-87 through 1988-89**  
**(dollars in thousands)**

Program	Personnel-Years <sup>a</sup>			Expenditures			Percent
	Actual 1986-87	Est. 1987-88	Prop. 1988-89	Actual 1986-87	Est. 1987-88	Prop. 1988-89	Change From 1987-88
Orientation and training							
Academy.....	27.1	30.4	30.4	\$3,703	\$3,448	\$4,085	18.5%
Base and fire centers.....	250.1	267.0	279.3	39,550	40,744	48,919	20.1
Energy program.....	18.6	18.0	18.0	2,418	2,519	2,915	15.7
Non-residential program.....	—	—	—	2,239	2,000	2,195	9.8
Administration <sup>b</sup> .....	90.5	94.0	112.1	(3,983)	(4,144)	(5,429)	31.0
Totals.....	386.3	409.4	439.8	\$47,910	\$48,711	\$58,114	19.3%
Funding Sources							
General Fund.....				\$35,250	\$36,656	\$44,420	21.2%
Energy Resources Programs Account, General Fund.....				5,099	5,171	6,206	20.0
Reimbursements.....				7,561	6,884	7,488	8.8

<sup>a</sup> Corpsmembers serve under contract and are not counted in personnel-year figures.

<sup>b</sup> Funding distributed among other programs.

### Proposed Budget Changes for 1988-89

Table 2 summarizes the proposed budget changes for 1988-89 by funding source.

### ANALYSIS AND RECOMMENDATIONS

We recommend approval of all workload and administrative adjustments as well as the following budget change proposals shown in Table 2, which are not discussed elsewhere in this analysis.

- An increase of \$4.2 million from the General Fund, ERPA, and reimbursements to align corpsmember salaries with the new minimum wage.
- An increase of \$268,000 from the General Fund, ERPA, and reimbursements to add 13.3 PYs of support staff to residential CCC centers.

**CALIFORNIA CONSERVATION CORPS—Continued****Table 2****California Conservation Corps  
Proposed 1988-89 Budget Changes  
(dollars in thousands)**

<i>Totals</i>	<i>General Fund</i>	<i>Other<sup>a</sup></i>	<i>Totals</i>
1987-88 Expenditures (revised) .....	\$36,656	\$12,055	\$48,711
Proposed Changes:			
<i>Workload and administrative adjustments</i>			
Price increases .....	\$245	\$82	\$327
Employee compensation .....	289	33	322
Miscellaneous .....		60	60
Subtotals, workload and administrative adjustments ...	(\$534)	(\$175)	(\$709)
<i>Budget change proposals</i>			
Special repairs .....	\$400	—	\$400
Administrative staff increase .....	240	28	268
Minimum wage increase .....	3,444	755	4,199
New homeless program .....	3,101	681	3,782
Other .....	45	—	45
Subtotals, budget change proposals .....	(\$7,230)	(\$1,464)	(\$8,694)
1988-89 Expenditures (proposed) .....	\$44,420	\$13,694	\$58,114
Change from 1987-88:			
Amount .....	\$7,764	\$1,639	\$9,403
Percent .....	21%	14%	19%

<sup>a</sup> Energy Resources Programs Account (ERPA) and reimbursements.

**Homeless Youth Proposal**

The budget requests a total of \$3.8 million to establish a Homeless Youth Program within the CCC. The CCC proposal consists of two major components:

- First, it provides \$968,000 in contract funds to continue the homeless youth referral network, currently operated as a pilot project by the Office of Criminal Justice Planning (OCJP).
- Second, it provides \$2.8 million to expand the corps by adding salaries and benefits for 117 corpsmember-years (\$1.4 million), 17 additional staff positions (\$470,000), and operating expenses (\$940,000).

We discuss these two components separately in our next two issues.

**Pending Legislation Addresses OCJP Pilot Project Funding**

*We recommend that \$968,000 for the Homeless Youth Emergency Services Pilot Project be deleted because the future of this program is more appropriately addressed in pending legislation. Reduce Item 3340-001-001 by \$794,000, Item 3340-001-465 by \$106,000, and reimbursements by \$68,000.*

The CCC budget includes \$968,000 to contract for the provision of services currently provided by the Homeless Youth Emergency Services Pilot Project administered by the Office of Criminal Justice Planning (OCJP). The Homeless Youth Act (Ch 1445/85) established and funded this pilot project within OCJP. The pilot project relies on a network of human service providers in San Francisco and Los Angeles to provide services such as outreach, medical care, job referral, and shelter to homeless youths. Funding for the pilot project ends on June 30, 1988. The CCC proposal does not specify whether the corps would simply continue the existing pilot project or change the program. Moreover, this program,

as currently operated, works primarily with homeless youth *below* the age of 18, a population ineligible to join the CCC and with which the corps has little experience.

The issue of continuing the pilot program within OCJP is currently the subject of pending urgency legislation. That bill, SB 508 (Presley), appropriates \$968,000 from the General Fund to permanently establish these two projects as they are now operated within OCJP. Accordingly, we recommend deletion of the budget request for \$968,000 because pending legislation better addresses both the administration of, and funding for, the Homeless Youth Emergency Services Pilot Project.

#### **Homeless Proposal Lacks Justification**

*We recommend the reduction of \$2.8 million requested for the Homeless Youth Program Component because (1) the CCC can serve homeless young adults without expanding, (2) the proposal is not clearly defined and limited in scope, and (3) the proposal is costly relative to other programs serving the homeless. Alternatively, the Legislature may wish to consider redirecting the funds to other programs serving the homeless. (Reduce Item 3340-001-001 by \$2,294,000, Item 3340-001-465 by \$308,000 and reimbursements by \$196,000.)*

The budget requests \$2.8 million to establish a "Homeless Youth Program Component" within the CCC. (Please see *The 1988-89 Budget: Perspectives and Issues* for a detailed discussion of the homeless issue.) Through targeting the recruitment of homeless young adults and single parents, who must be between the ages of 18 and 23 to participate, the CCC proposes to expand its existing corpsmember population by 117 corpsmembers-years—roughly 154 corpsmembers phased-in over a one year period. Because of turnover, about twice that many individuals would spend some time in the corps. These corpsmembers would devote a large part of their labor towards rehabilitating shelters for the homeless.

**Program Poorly Defined.** The CCC proposal lacks specificity. It fails to address implementation issues such as (1) the number of residential versus nonresidential corpsmembers who would be added, (2) the number and location of shelters corpsmembers would rehabilitate in 1988-89, (3) coordination with existing programs offered by other state agencies or local human service providers, and (4) provision of day care for the children of single parents.

**No Justification For Expansion.** Under its existing program, the CCC has the ability both to (1) recruit homeless young adults and single parents and (2) undertake homeless shelter rehabilitation projects. The corps' base budget provides funding for 2,100 corpsmember-years, and CCC administrators indicate that a growing proportion of the current corpsmember population includes homeless young adults. The corps' proposal, however, does not evaluate this experience. It fails to (1) estimate the numbers of homeless young adults who are currently in the corps or (2) review its success in helping these individuals.

The CCC indicates that the additional corpsmembers in the new program would devote some time to the rehabilitation of homeless shelters. At present, corpsmembers throughout the state are involved in a variety of construction-related projects which provide important job-skills training. Consequently, nothing currently precludes the CCC from targeting more corpsmember labor towards rehabilitating homeless

**CALIFORNIA CONSERVATION CORPS—Continued**

shelters. For example, the 1988-89 *Governor's Budget* indicates that the Department of Housing and Community Development (HCD) will spend \$4 million from the California Housing Trust Fund in 1988-89 to rehabilitate and acquire shelters for the homeless. The CCC could use its existing resources to provide some of the labor to rehabilitate these shelters. The CCC's proposal, however, does not mention the HCD program.

***The CCC Proposal Too Limited and Costly.*** The CCC proposal will only provide assistance to a small number of homeless young adults—at a very high cost. The annual cost of the new CCC program is roughly \$24,000 per corpsmember-year. While no other program is identical to the corps, several shelter programs in the Los Angeles area do offer roughly comparable services. These programs are considered "full structured programs" because they provide services beyond basic food and shelter, consultation and housing referral. Specifically, these shelter programs provide 24-hour crisis intervention, education and job training referral, in-house health screening, living skills training, and legal assistance. The cost to operate these "full structured programs" is about \$23 per individual, per night, or roughly \$8,400 per individual, per year. Thus, on average, the CCC program would cost about \$15,600 more per person, per year. If the proposed appropriation were used instead for the "full structured program," it could serve approximately 330 persons for a full year, rather than the 117 corpsmember-years proposed in the Governor's Budget.

***Recommendation.*** The CCC proposal is not clearly defined, limited in scope, and costly relative to other programs serving the homeless. More importantly, however, the CCC currently can aid homeless young adults and single parents through its *existing* program. Accordingly, we recommend that the \$2.8 million requested for the Homeless Youth Program Component be deleted.

***Opportunity to Target Funds For Homeless Priorities.*** In addition to the programmatic concerns raised by the CCC proposal, significant policy questions surface as well—namely, (1) what approach does the state wish to take regarding the provision of services to the homeless and (2) why the CCC, which serves a population between the ages of 18 and 23, is better suited to address the problems of homeless youths rather than existing homeless social service programs?

In the 1988-89 *Perspectives and Issues*, we identify approximately \$76 million in funds specifically designated for the homeless in the 1988-89 *Governor's Budget*. We also note that an additional \$12 million in federal funds are available to the state in the budget year which have not been reflected in the Budget Bill. Elsewhere in this *Analysis*, (please see Items 4440, 5100, 6100, and 8915), we have recommended that the budget be increased by this \$12 million amount.

Given the various shortcomings in the CCC homeless proposal, the Legislature may wish to redirect the funds requested for this program to other programs which serve the homeless population in general or homeless youth in particular. For example, a portion of the funding could be used to expand the existing OCJP Homeless Youth Emergency Services Pilot Project (discussed earlier). Currently, this project is only located in San Francisco and Los Angeles.

**Special Repair Request Needs Repair**

*We recommend a reduction of \$271,000 for (1) three special repair projects totaling \$121,000 that duplicate projects already included in the corps' minor capital outlay request and (2) a water treatment project costing \$150,000 which the CCC should submit as a separate minor capital outlay request. (Reduce Item 3340-001-001 by \$204,000, Item 3340-001-465 by \$29,000, and reimbursements by \$38,000.)*

The budget requests a total of \$770,000 for special repairs. This is an increase of \$400,000, (\$300,000 General Fund, \$43,000 ERPA, and \$57,000 reimbursements) above the current-year amount for special repairs. With the increased funding, the CCC proposes to complete several health- and safety-related facility renovations.

The special repair list provided by the CCC, however, contains three projects, totaling \$121,000—a men's bathroom renovation project at the Butte center, an electrical repair project at the San Bernardino center, and a dormitory renovation project at the Pomona center—which duplicate projects presented in the CCC's minor capital outlay request. In addition, the list also contains a water treatment project costing \$150,000 which would be more appropriately budgeted as a minor capital outlay request because the proposed project would expand, rather than repair, the treatment system.

Accordingly, we recommend a reduction of \$271,000 requested for (1) three special repair projects totaling \$121,000 that duplicate projects already included in the corps' minor capital outlay request and (2) a water treatment project costing \$150,000 that the CCC should submit as a separate minor capital outlay request with a detailed description of its scope and cost.

**Merit Incentive Program**

*We withhold recommendation on \$987,000 from the General Fund requested to continue the merit incentive program, pending the receipt and analysis of information needed to evaluate the success and the cost of the program, including (1) the average length of time before a corpsmember receives the merit salary increase, (2) the number of graduates receiving the bonus and the scholarship on a monthly basis, (3) the results of the corps' scholarship survey and (4) the average length of time individuals stay in the corps.*

The budget requests \$987,000 from the General Fund for the corps' merit incentive program. The merit incentive program is a two-step plan designed to (1) increase the average number of corpsmembers completing the full-year program in the CCC and (2) increase the proportion of graduating corpsmembers entering higher education. In the first phase, corpsmembers are eligible to receive a 10-percent merit adjustment after they complete four months in the CCC and meet certain work performance standards. The second stage is structured for graduating corpsmembers, those who complete one full year in the CCC. Upon graduation, these corpsmembers have the option of choosing between a \$1,000 scholarship or a \$500 cash bonus, contingent upon their meeting certain evaluation standards. (Corpsmembers have two years after graduation to apply for the scholarship.) Because delays in the implementation of the corps' merit incentive program precluded a full evaluation of its success



**CALIFORNIA CONSERVATION CORPS—Continued**

last year, the Legislature adopted language in the *Supplemental Report of the 1987 Budget Act* directing the CCC to report by December 1, 1987 on the program's status and cost.

In its report to the Legislature, however, the CCC failed to provide enough information to evaluate its budget request for the merit incentive program in 1988-89. Specifically, the report lacked information on (1) the average length of time before a corpsmember receives a merit salary increase and (2) the number of graduates receiving the bonus and the scholarship on a monthly basis. The corps' report also indicated that 303 of the 623 graduating corpsmembers, or roughly 50 percent, had not yet applied for the scholarship. The CCC intended to survey these individuals to estimate how many would apply for the scholarship within the next two years. The results of the CCC survey are needed to estimate the cost of the merit incentive program in 1988-89. Furthermore, additional information is needed to evaluate the success of the merit incentive program. The CCC has not provided consistent information that would allow a comparison of retention (the average length of time individuals stay in the corps before and after the program began).

Without the above cited information, we are unable to arrive at a reasonable cost estimate for the merit incentive program or evaluate its success. Accordingly, we withhold recommendation on \$987,000 from the General Fund for the merit incentive program, pending receipt and analysis of (1) the average length of time before a corpsmember receives a merit salary increase, (2) the number of graduates receiving the bonus and the scholarship on a monthly basis, (3) the results of the corps' scholarship survey, (4) the average length of time individuals stay in the corps.

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**CALIFORNIA CONSERVATION CORPS—CAPITAL OUTLAY**

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

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Requested 1988-89.....	\$1,878,000
Recommended approval.....	1,318,000
Recommendation pending.....	560,000

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**SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS**Analysis  
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1. San Luis Obispo Training Academy. Recommend the following actions: 303
  - Recommend separate Budget Bill subitems for work to be accomplished by the Corps and work to be accomplished under competitive bidding (kitchen/dining facility).
  - Withhold recommendation on \$560,000 for the kitchen/dining facility portion of the proposal pending receipt of detailed cost information.

- Recommend adoption of Budget Bill language requiring the Office of the State Architect to inspect all project construction.
- Recommend addition of Item 3340-495 to revert unspent preliminary plan/working drawing balances.

## **ANALYSIS AND RECOMMENDATIONS**

### **Minor Projects**

#### *We recommend approval.*

We recommend approval of \$203,000 requested in Item 3340-301-036 for minor capital outlay. This request is for seven projects, ranging in cost from \$12,000 for a waste water treatment study at the Placer Energy Center to \$47,000 for upgrading the electrical system at the Corps' San Bernardino Center.

### **San Luis Obispo Training Academy—Construction**

#### *We recommend the following for the Training Academy:*

- *Approval of \$1,115,000 in Item 3340-301-036(2) to reflect the estimated cost of all elements of the project other than the kitchen/dining facility.*
- *Establish a new subitem (Item 3340-301-036(3)) for the kitchen/dining facility work.*
- *Withhold recommendation on the balance of the funds requested under this item (\$560,000) pending the receipt of a detailed cost estimate for the kitchen/dining facility.*
- *Adoption of Budget Bill language requiring the Office of the State Architect to provide construction inspection services for the entire project.*
- *Add new item (Item 3340-495) to revert unspent preliminary plan/working drawing fund balances to the Special Account for Capital Outlay.*

In late 1986, the Corps relocated the academy from leased facilities in Fricot City (Calaveras County) to temporary facilities at the National Guard's Camp in San Luis Obispo. The 1987 Budget Act appropriated \$400,000 from the Special Account for Capital Outlay (SAFCO) for preliminary plans and working drawings for permanent academy facilities.

The budget includes \$1,675,000 in Item 3340-301-036(2) for Phase I construction and improvements for the Corps' permanent academy facilities. According to the Corps, future phases of construction to complete the permanent facilities will require an additional \$875,000 of capital outlay funds. Also, the Corps' 1988-89 support budget request includes approximately \$670,000 for staff and corpsmember labor to construct those elements of the project that are not to be built through a competitively bid construction contract (essentially everything other than the kitchen/dining facility). The Corps expects that a similar amount of support funds will be needed for the project in 1989-90. Thus, according to the Corps, the total estimated cost of the project is approximately \$4.3 million.

An important aspect of the project is that most of the renovation and construction is proposed to be carried out directly by the Corps, using staff and corpsmember labor, rather than through a private construction contractor. The Corps proposes this approach in order to save money as

**CALIFORNIA CONSERVATION CORPS—CAPITAL OUTLAY—Continued**

well as provide corpsmembers with useful work training opportunities. The proposed kitchen/dining facility, however, is more complex and requires special design/construction. Consequently, this portion of the project is to be competitively bid and constructed by a private contractor under the supervision of the Office of the State Architect (OSA).

**Recent Cost Estimate.** According to a recent detailed cost estimate (prepared by the Corps) for that portion of the project which the Corps intends to manage directly, the amount needed for that work in 1988-89 is \$1,047,000. With adjustment for inflation and additional amounts needed for construction contingencies and *inspection*, we estimate that a total of \$1,115,000 will be needed in 1988-89 for that portion of the project that will be managed and constructed directly by the Corps. Accordingly, we recommend approval of \$1,115,000 in Item 3340-301-036(2) for this work.

**Separate Management of Kitchen/Dining Facility Work.** At the time this *Analysis* was written, no detailed cost estimate based on preliminary plans for the kitchen/dining facility was available. In fact, OSA was in the process of correcting design errors and omissions in the kitchen/dining facility plans that the Corps submitted in December 1987 to the State Public Works Board (PWB). Pending these necessary revisions and review of a detailed cost estimate to be prepared by OSA, we have no basis for recommending an amount for the kitchen/dining facility work. We therefore withhold recommendation on the balance of the budget request (\$560,000).

As discussed above, the kitchen/dining facility is a separate project within the overall program to provide permanent academy facilities. The kitchen/dining facility is to be designed by OSA and competitively bid for construction. To properly reflect the separate nature of these projects and to maintain a measure of control over the project cost, these individual elements should be budgeted separately. Thus, we recommend that the Legislature schedule the kitchen/dining facility part of the project under a new subitem 3340-301-036(3).

**Need for OSA Construction Inspection.** The PWB approved preliminary plans for all phases of the Academy project on December 18, 1987. In a letter to the board dated December 7, 1987, OSA's Chief of Architecture and Engineering stated that, although the plans included adequate information for the purpose of a *submittal* to the board, OSA had *not* reviewed the plans "for code compliance, technical correctness, design or functional adequacy."

This is highly unusual because plans approved by the board are supposed to be complete/accurate documents reflective of the work to be accomplished. In fact, prior to board approval of all plans, the Department of Finance certifies to the Legislature that the plans reflect the scope and cost approved by the Legislature. In this instance, it appears that there was no basis to assure the Legislature that the plans met the standard scope and cost criteria. Nevertheless, OSA currently is correcting design errors and omissions in the plans prepared by the Corps for the kitchen/dining facility. In order to insure the safety of corpsmembers that will be living and studying in the academy's buildings and to minimize potential liability to the state, we recommend that the Legislature adopt the following Budget Bill language requiring OSA inspection of the construction work undertaken by the Corps:

The amount appropriated in category (2) of this item—for construction for the San Luis Obispo Training Academy—includes funds for construction inspection by the Office of the State Architect. The Office of the State Architect shall conduct these inspections during the course of the construction funded in category (2) in order to assure compliance with fire and life/safety code requirements and adherence to good construction practices.

**Reversion of Unspent Balances.** When the PWB approved preliminary plans for the project it also approved an estimated cost for the preparation of preliminary plans and working drawings of \$326,000. This was the amount budgeted for that purpose according to the *Supplemental Report of the 1987 Budget Act*. According to the Corps at the time this analysis was written, the estimated cost for preparation of these documents was \$88,000, or substantially less than the amount budgeted. Any unspent balances should be reverted so that the funds are available for other statewide needs. Accordingly, we recommend that the Legislature add Item 3340-495 to the Budget Bill with the following language:

Reversion, California Conservation Corps. Notwithstanding any other provision of law, the unencumbered balance of the appropriation provided in the following citation, including the unexpended balance of funds allocated by the Department of Finance or transferred to the Architecture Revolving Fund, shall be reverted on the effective date of this act to the General Fund, Special Account for Capital Outlay:

Item 3340-301-036, Budget Act of 1987:

- (2) 30.30.020—San Luis Obispo Training Academy—Improvements—preliminary plans and working drawings.

#### **Supplemental Report Language**

For purposes of project definition and control, we recommend that the fiscal subcommittees adopt supplemental report language which defines the scope and cost elements of each of the projects approved under this item.

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### **Resources Agency**

## **ENERGY RESOURCES CONSERVATION AND DEVELOPMENT COMMISSION**

Item 3360 from various funds

Budget p. R 18

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Requested 1988-89 .....	\$160,825,000
Estimated 1987-88 .....	111,519,000
Actual 1986-87 .....	47,214,000
Requested increase (excluding amount for salary increases) \$49,306,000 (+ 44 percent)	
Total recommended reduction .....	6,400,000
Recommendation pending .....	105,300,000

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# ENERGY RESOURCES CONSERVATION AND DEVELOPMENT COMMISSION—Continued

## 1988-89 FUNDING BY ITEM AND SOURCE

Item—Description	Fund	Amount
3360-001-033—Energy conservation loans to schools, hospitals and local governments	State Energy Conservation Assistance Account, General	\$5,266,000
3360-001-044—Support	Motor Vehicle Account, State Transportation	93,000
3360-001-465—Support	Energy Resources Programs Account, General	29,971,000
3360-001-479—Energy technology grants and loans	Energy Technologies Research, Development, and Demonstration Account, General	1,846,000
3360-001-853—Purchase school buses and energy conservation assistance	Petroleum Violation Escrow Account (PVEA)	116,400,000
3360-001-890—Support	Federal Trust	889,000
Public Resources Code Section 25402.1—Fee Revenue	Energy Resources Programs Account, General	300,000
Ch 1338/86—Program administration	PVEA	40,000
Ch 1341/86—Program administration	PVEA	50,000
Ch 1340/86—Alternative vehicle fuel demonstrations	Clean Fuels Account, PVEA	50,000
Ch 1343/86—Energy conservation assistance	Local Jurisdiction Energy Assistance Account, PVEA	470,000
Continuous Appropriation—Grants to local governments	Geothermal Resources Development Account, General	5,300,000
Reimbursements		150,000
Total		\$160,825,000

## SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

Analysis  
page

1. *Conservation Projects in Higher Education. Reduce Item 3360-001-853 by \$6 million.* Recommend reduction of \$6 million from the PVEA for energy conservation and demonstration projects in the three higher education segments because the proposal is premature. 309
2. *School Bus Purchase and Demonstration.* Withhold recommendation on \$100 million from the PVEA for demonstrations of various engine technologies and fuel types in school buses pending the Legislature's review of alternative proposals for use of these funds. 310
3. *Energy Technology Export Program. Reduce Item 3360-001-465 by \$250,000.* Recommend reduction of \$250,000 from the ERPA for a consultant contract for training and technical assistance for energy companies because the proposal is premature. Further recommend adoption of supplemental report language requiring an evaluation of the program. 311
4. *Point-of-Purchase Materials for Builders. Reduce Item 3360-001-465 by \$150,000.* Recommend reduction of \$150,000 from the ERPA for a consultant contract to develop materials for homebuilders because the proposal lacks detail. 312
5. *Continuous Appropriation Authority.* Recommend the Local Government Geothermal Resources Revolving Subaccount (Item 3360-101-497) be subject to annual approval through the budget process. 313

## GENERAL PROGRAM STATEMENT

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

The commission has 400.5 personnel-years in the current year.

## OVERVIEW OF THE BUDGET REQUEST

The budget proposes expenditures totaling \$160.8 million from various state funds, Petroleum Violation Escrow Account (PVEA) funds and reimbursements for support of the Energy Commission in 1988-89. This is an increase of \$49.3 million, or 44 percent, over estimated current-year expenditures. Table 1 shows the Energy Commission's budget for the prior, current and budget years.

**Table 1**  
**California Energy Commission**  
**Budget Summary**  
**1986-87 through 1988-89**  
**(dollars in thousands)**

Program	Personnel-Years			Expenditures			Percent
	Actual	Est.	Prop.	Actual	Est.	Prop.	Change
	1986-87	1987-88	1988-89	1986-87	1987-88	1988-89	From 1987-88
Regulatory and planning.....	138.6	182.3	184.4	\$18,951	\$17,245	\$14,491	-16.0%
Energy resources conservation ...	43.8	61.6	73.5	9,020	69,545	22,050	-68.3
Development.....	54.4	51.9	55.1	11,573	18,088	117,138	547.6
Policy, management and adminis- tration.....	107.0	104.7	101.3	7,670	6,641	7,146	7.6
Totals .....	343.8	400.5	414.3	\$47,214	\$111,519	\$160,825	44.2%
Funding Sources							
Energy Resources Programs Account.....				\$34,645	\$31,253	\$30,271	-3.1%
Energy Conservation Assistance Account.....				3,881	—	5,266	— <sup>a</sup>
Energy Technologies Research, Development and Demonstration Account.....				3,788	3,344	1,846	-44.8
Local Government Geothermal Resources Revolving Subaccount.....				2,329	2,282	5,300	132.3
Petroleum Violation Escrow Account.....				34,000	39,485	116,490	195.0
Local Jurisdiction Energy Assistance Account.....				-28,999	28,104	50	-99.8
Clean Fuels Account.....				-5,000	4,825	470	-90.3
Motor Vehicle Account.....				90	91	93	2.2
Federal Trust Funds.....				2,372	2,027	889	-56.1
Reimbursements.....				108	108	150	38.9

<sup>a</sup> Not a meaningful figure.

**Comparison Adjusted for Pass-Through Funds.** The comparison of the commission's budget request with its estimated current-year expenditures is distorted by PVEA funding proposals. The commission's total 1988-89 expenditures include \$106 million in PVEA funds that will be used for programs administered by other state agencies. The major portion of this funding consists of \$100 million that would be used to buy school buses in cooperation with the Department of Education and the

# ENERGY RESOURCES CONSERVATION AND DEVELOPMENT COMMISSION—Continued

Department of the California Highway Patrol. Federal law requires these funds to flow through the commission's budget because the commission is the agency that oversees California's State Energy Conservation Plan.

If, for comparative purposes, the commission's expenditures are adjusted to exclude PVEA pass-through funds, the budget request would be \$54.8 million. This is \$14.7 million, or 21 percent, below the adjusted estimate of current-year expenditures of \$69.5 million (current year spending includes \$42 million in pass-through funds). This reduction is primarily due to decreases in PVEA funds for commission programs (—\$29 million), which is partially offset by increases in grant and loan programs (\$12.5 million), pro rata charges (\$957,000) and employee compensation (\$760,000).

**Significant Budget Changes.** Table 2 summarizes the changes in the commission's proposed budget for 1988-89, by funding source.

**Table 2**  
**California Energy Commission**  
**Proposed 1988-89 Budget Changes**  
**(dollars in thousands)**

	<i>Energy Resources Programs Account</i>	<i>Other Funds<sup>a</sup> and Reim- bursements</i>	<i>Federal Funds</i>	<i>PVEA</i>	<i>Totals</i>
1987-88 Expenditures (Revised) .....	\$31,253	\$38,754	\$2,027	\$39,485	\$111,519
<i>Baseline Adjustments</i>					
Redirect contracts .....	-1,548	—	—	—	-1,548
Increase in equipment .....	297	—	—	—	297
Increase in operating expense .....	245	—	—	—	245
Increase in pro rata assessment .....	343	614	—	—	957
Deletion of one-time Local Jurisdiction .....	—	-28,054	—	—	-28,054
Deletion of one-time PVEA program .....	—	—	—	-38,595	-38,595
Increase to employee compensation .....	760	—	—	—	760
Increased reimbursements .....	73	42	—	—	115
Other adjustments .....	244	—	—	—	244
<i>Program Changes</i>					
<i>Regulatory and Planning Program</i>					
Decrease in power plant siting contract .....	-2,108	—	—	—	-2,108
Increase in demand forecasting .....	207	—	—	—	207
<i>Conservation Program</i>					
PVEA program administration .....	—	—	—	90	90
Funding change for PYs in SECP program .....	1,184	—	-634	-800	-250
Funding change for contracts .....	-639	—	634	—	-5
One-time funding for Chapter 341/87 .....	-250	—	—	—	-250
Increase in buildings standards .....	210	—	—	—	210
Increase in energy conservation loans to schools, hospitals and local governments .....	—	5,000	—	—	5,000
PVEA schools and hospitals grants .....	—	—	—	4,500	4,500
PVEA higher education energy loans .....	—	—	—	6,000	6,000
Schools and hospitals loans development program .....	—	—	-1,138	—	-1,138
Increase in geothermal grants .....	—	3,018	—	—	3,018

Deletion of one-time clean fuels program.....	—	-4,355	—	—	-4,355
Decrease in energy technologies advancement program.....	—	-1,844	—	—	-1,844
School Bus demonstration program.....	—	—	—	100,000	100,000
Alternative fuels demonstration.....	—	—	—	5,900	5,900
1988-89 Expenditures (Proposed).....	\$30,271	\$13,175	\$889	\$116,490	\$160,825
Change from 1987-88					
Amount.....	-\$982	-\$25,579	-\$1,138	\$77,005	\$49,306
Percent.....	-3.1%	-66.0%	-56.1%	195.0%	44.2%

<sup>a</sup> Energy Conservation Assistance Account; Energy Technologies Research, Development and Demonstration Account; Local Government Geothermal Resources Revolving Subaccount; Local Jurisdiction Energy Assistance Account; Clean Fuels Account; and Motor Vehicle Account.

## ANALYSIS AND RECOMMENDATIONS

### Petroleum Violation Escrow Account Proposals

The budget proposes expenditures of \$147.3 million from the PVEA by various state agencies. The Energy Commission's budget contains the largest portion of this amount, \$116.4 million. The remaining \$30.9 million is in the budgets of the Department of Transportation (\$20.9 million) and the Department of Economic Opportunity (\$10 million). We discuss those proposals in our analyses of the budget requests for those agencies.

The commission's PVEA budget request consists of the following:

- \$100 million for a program to demonstrate the performance of various engine technologies and fuel types in approximately 1,300 school buses in school districts around the state.
- \$6 million for energy conservation and demonstration programs to be divided equally among the three segments of public higher education.
- \$5.9 million for a comprehensive alternative fuels (other than methanol) demonstration and evaluation program.
- \$4.5 million for energy conservation matching grants to public and nonprofit schools and hospitals.

The Budget Bill includes language (provision 1 of Item 3360-001-853) that makes these appropriations available for three years.

We recommend approval of (1) the \$5.9 million requested for a comprehensive evaluation of alternative fuels because of the need to find remedies for significant air pollution problems and the state's policy to diversify away from petroleum dependency, and (2) the \$4.5 million requested to continue an existing program of energy conservation grants because the commission indicates that it has a backlog of about \$6.5 million in unfunded grant requests that promise significant energy cost savings. We discuss the remaining two proposals below.

### Conservation Projects in Higher Education Systems

*We recommend a reduction of \$6 million from the PVEA for energy conservation and demonstration projects in the three higher education segments because the proposals are premature. (Reduce Item 3360-011-853 by \$6 million.)*

The budget requests a total of \$6 million from the PVEA for energy conservation and demonstration projects at the University of California (\$2 million), California State University (\$2 million), and California Community Colleges (\$2 million). These funds are proposed to (1)



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

complete energy usage analyses, (2) prepare and implement operations and maintenance standards, (3) train facilities operators in efficient energy practices, and (4) undertake energy efficiency demonstration projects. The proposed expenditures would be made under the State Energy Conservation Plan (SECP).

Chapter 1343, Statutes of 1986, appropriated \$12 million (\$4 million per segment) for these same projects. However, these funds will not be available to the systems until late in the current year (March 1988) because disbursement of funds must still be approved by the commission.

The budget request does not document the need for additional funds, nor does it identify the demonstration projects proposed to be undertaken by the educational segments.

Given the existing funds available to the educational segments for this purpose and the lack of justification for any increase in funds, we recommend a reduction of \$6 million from the PVEA because the proposal is premature.

**School Bus Purchase and Demonstration Proposal**

*We withhold recommendation on \$100 million from the PVEA for a program to demonstrate the performance of various engine technologies and fuel types in school buses pending the Legislature's review of alternative uses of these funds.*

The budget requests \$100 million from the PVEA to demonstrate the performance of various engine technologies and fuel types in about 1,300 school buses that would be purchased for unspecified school districts. The buses would comply with safety criteria of the Highway Patrol, and the commission would consult with the Department of Education in implementing the program. The stated objective of the program is "to enable school districts to upgrade their fleets in a cost-effective, environmentally sound manner." The proposed demonstration consists of three parts:

- Test and evaluate selected engine technologies and fuel types in school district buses.
- Expand the tests to a wider range of geographic and climactic areas.
- Make buses available on a statewide basis for performance evaluation.

*Proposal lacks specificity.* The administration's bus demonstration proposal is not supported by a specific plan. For example, the proposal does not specify (1) how this program builds on other demonstration programs proposed by the commission or currently underway, (2) how the 1,300 buses would be allocated among the state's school districts, and (3) how this proposal relates to existing state programs that provide transportation funds to school districts.

*Legislative redirection of these funds last year.* The administration proposed this same bus demonstration program in the 1987-88 budget. During budget hearings, the Legislature removed all PVEA funds from the commission's budget request. The Legislature's proposal for use of these PVEA funds was included in SB 283 (Rosenthal). This bill proposes to use the bus demonstration funds for low income energy assistance and weatherization projects. Additionally, AB 35 (Katz), proposes expenditure of \$20 million in PVEA funds on a similar bus replacement program.

Both bills are still in committee waiting final legislative consideration. Several other proposals for use of the PVEA funds also have been introduced. Altogether, the proposals exceed the \$147.5 million in PVEA funds available for appropriation. We therefore withhold recommendation on \$100 million for a bus engine and fuel technology demonstration program to allow the Legislature to examine alternative proposals for use of the funds consistent with legislative priorities.

#### **Consultant Contract Proposals**

The budget requests a total of \$5 million, a reduction of \$1.5 million (24 percent) from the estimated current-year level, for contract assistance for the commission in 1988-89. This amount consists of \$4.9 million from the Energy Resources Program Account (ERPA) and \$100,000 from the Geothermal Resources Development Account.

Based on our evaluation of each of the commission's 53 consultant contract proposals, we recommend that 51 of them be funded in the amount requested—\$4.6 million. We find, however, that the remaining two contract proposals, totaling \$400,000, are not justified. Our evaluation of these two proposals follows.

#### **Energy Technology Export Program.**

*We recommend a reduction of \$250,000 from the ERPA for a consultant contract to provide training and technical assistance for energy companies participating in the commission's Energy Technology Export Program (ETEP) because it is premature. (Reduce Item 3360-001-465 by \$250,000.) Further, we recommend that the Legislature adopt supplemental report language requiring the Energy Commission to evaluate the ETEP, and develop a strategy and detailed workplan for the future development of the program.*

The budget requests \$250,000 from the ERPA for a consultant contract to provide training and technical assistance to participants in its Energy Technology Export Program. This program was established to provide assistance to California energy companies desiring to export their products and services. The proposed consultant contract would (1) establish an energy technology training project for prospective energy technology exporters and for personnel from developing countries, (2) provide technical assistance to California energy firms and (3) promote the sale of energy technologies and services to foreign governments. The commission indicates that similar contracts will be proposed in future years.

*Further consultant contracts premature.* The Legislature has appropriated a total of \$840,000 in past budgets for consultant contracts for this program, which began in 1986. These contracts provided funds for the following activities:

- \$190,000 in 1985-86 to (a) evaluate export opportunities and compile related information for energy firms and (b) develop an action plan for California state government outlining long-term initiatives.
- \$425,000 in 1986-87 for (a) pilot technical assistance programs for small energy businesses and (b) pilot training programs for the operation and maintenance of energy technology products installed in other countries.
- \$225,000 in 1987-88 for continuation of the 1986-87 contract. In addition to these expenditures, the commission has allocated about three personnel-years of its own staff to the Energy Technology Export Program.

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

Our analysis of the "action plan," and other documents developed as part of the first contract (the only contract completed to date), indicates that the plan neither develops an overall strategy for the ETEP, nor provides guidance for the commission regarding how it can coordinate its efforts with other existing sources of export assistance. The second contract, which was funded in 1986-87, proposed pilot projects, but included no criteria to provide for their evaluation. Moreover, the commission has never performed a formal evaluation to determine the overall effectiveness of the ETEP, nor has it developed any criteria by which the success of the ETEP can be evaluated. We therefore recommend a reduction of \$250,000 from the ERPA because expansion of this program is premature.

*Export program needs review.* As discussed above, a significant amount of funds has been provided for ETEP consultant contracts. The lack of ongoing evaluation and detailed strategies and workplans makes it very difficult to evaluate the commission's budget proposals for this program. We therefore recommend that the Legislature adopt the following supplemental report language requiring the commission to perform a program evaluation and to develop a plan for the ETEP:

The Energy Commission shall report to the Chairpersons of the fiscal committees, appropriate policy committees and the Joint Legislative Budget Committee, no later than December 1, 1988, on the results of an evaluation of its Energy Technology Export Program. The evaluation shall include the following: (1) an analysis of all assistance efforts—including the results of that assistance to date—to assist California energy companies, (2) an identification of the methods used by ETEP personnel to coordinate assistance available from all other sources, (3) an evaluation of problems with existing private sector, state, federal, and international agency programs that require the commission to provide training, and technical/financial assistance for energy companies, (4) an evaluation of currently authorized contracts and how they relate to the ETEP's goals, (5) a detailed operational plan for future years, including identification of specific measures for future program evaluations, *pro forma* budgets, and detailed workplans for commission personnel and use of contracts, and (6) an evaluation of the feasibility of imposing user fees to offset the costs of this program.

**Point-of-Purchase Materials for Builders**

*We recommend a reduction of \$150,000 from the ERPA for a consultant contract to develop "point-of-purchase" home energy efficiency materials, because the proposal lacks detail. (Reduce Item 3360-001-465 by \$150,000.)*

The budget requests \$150,000 from the ERPA for a consultant contract to develop "point-of-purchase" materials for homebuilders. The stated objective is to develop materials that homebuilders could provide to prospective buyers when viewing model homes. These materials would contain information "... that can be used by all homebuilders to explain the benefits of their energy efficient design to the potential home-buying customer."

This proposal does not identify a need for this particular information or show how buyers of new houses would be benefited by it, particularly

since all new construction in California must meet current energy efficiency standards. We therefore recommend deletion of funding for this proposal.

### **Geothermal Resources Development Account Proposals**

#### **Continuous Appropriation Authority**

*We recommend the Local Government Geothermal Resources Revolving Subaccount (Item 3360-101-497) be subject to annual approval through the budget process.*

The Geothermal Resources Development Account (GRDA) receives revenue from geothermal developments on federal lands. Thirty percent of the GRDA funds are transferred to the Local Government Geothermal Resources Revolving Subaccount (LGRRS) within the GRDA. These funds are available to the commission to provide grants to local governments. The commission must submit to the Legislature by April 1 of each year a list of local government projects for which the commission intends to provide grants from the LGRRS. The budget proposes to spend \$5.3 million from this account in 1988-89.

Although these funds are available to the commission through a continuous appropriation authority, the practice in recent years has been to appropriate these funds in the Budget Act. This year, however, the administration has chosen to omit the funds from the Budget Bill. Our analysis indicates that this account does *not* meet the criteria for continuous appropriations provided by Ch 323/83. Chapter 323 provides that the use of continuous appropriations is appropriate if "undue programmatic, administrative, or legal problems" would result from annual appropriation in the Budget Act. We don't believe such problems would occur in this case. This account supports activities that are part of the ongoing operation of the department and, as such, should be subject to annual legislative review and control. Consequently, we recommend that the LGRRS be subject to annual approval through the budget process.

#### **Reversion (Item 3360-495)**

*We recommend approval.*

Chapter 890, Statutes of 1986, appropriated \$35 million from the PVEA (subject to the approval of the U.S. Department of Energy) for various transportation projects. The Department of Energy disapproved \$5.4 million of that appropriation. The budget proposes to appropriate \$5.4 million from the PVEA to the Department of Transportation for similar projects (please see Item 2660 for an analysis of this proposal). Our review indicates that the reversion is appropriate because it would enable the Legislature to fund additional projects which are consistent with its priorities.

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**Resources Agency**  
**CALIFORNIA WASTE MANAGEMENT BOARD**

Item 3380 from the General  
Fund

Budget p. R 32

Requested 1988-89.....	\$5,475,000
Estimated 1987-88 .....	5,616,000
Actual 1986-87 .....	4,181,000
Requested decrease (excluding amount for salary increases) \$141,000 (-2.5 percent)	
Total recommended reduction.....	None

**1988-89 FUNDING BY ITEM AND SOURCE**

Item—Description	Fund	Amount
3380-001-001—Support	General	\$4,505,000
Ch 1319/87—Landfill cleanup and maintenance	Solid Waste Disposal Site Cleanup and Maintenance Account, General	970,000
Total		\$5,475,000

**GENERAL PROGRAM STATEMENT**

The California Waste Management Board is responsible for (1) ensuring that nonhazardous wastes are disposed of and managed in a safe and environmentally sound manner and (2) encouraging the adoption of environmentally, economically, and technically sound alternative waste disposal practices, such as recycling and waste-to-energy conversion.

The board's regulatory responsibilities include (1) setting minimum standards for waste handling and facility operation, (2) conducting oversight inspections of landfills, (3) reviewing permits issued by local enforcement agencies (LEAs), (4) investigating closed or abandoned landfill sites, and (5) approving county solid waste management plans.

With the enactment of Ch 1319/87 (AB 2448), the board also is responsible for (1) approving landfill closure and postclosure maintenance plans and operator financing to carry out the plans, (2) making loan guarantees to landfill operators requiring financial assistance to correct problems that threaten public health, (3) providing grants to cities, counties and regional water quality control boards for programs that ensure the safe operation, closure and maintenance of landfills.

Under existing law, local government has the primary responsibility for solid waste management, enforcement, and associated planning. There are approximately 1,000 solid waste facilities and 120 LEAs in the state.

The board is located in Sacramento and has 70.6 personnel-years in the current year.

**OVERVIEW OF THE BUDGET REQUEST**

The budget requests a total of \$5.5 million for support of the California Waste Management Board in 1988-89. This amount is \$141,000, or 2.5 percent, less than estimated current-year expenditures. The decrease is the net result of (1) a reduction of \$1 million in federal Petroleum Violation Escrow Account funds provided in the current year for a study

of the environmental impacts of waste-to-energy projects and (2) proposed increases in state funds of \$849,000.

The largest increase in state funds (\$595,000 and 13.5 personnel-years) is for the implementation of Ch 1319/87, the Solid Waste Disposal Site Hazard Reduction Act. Total 1988-89 expenditures for the program will be \$970,000 compared with \$375,000 that the board estimates it will spend to begin implementation during the current year. Chapter 1319 appropriates these funds to the board from a new special account.

**Table 1**  
**California Waste Management Board**  
**Budget Summary**  
**1986-87 through 1988-89**  
**(dollars in thousands)**

Program	Personnel-Years			Expenditures			Percent Change From 1987-88
	Actual 1986-87	Est. 1987-88	Proposed 1988-89	Actual 1986-87	Est. 1987-88	Proposed 1988-89	
Monitoring and enforcement .....	35.3	31.4	34.2	\$2,592	\$2,572	\$2,791	8.5%
Disposal site cleanup and maintenance .....	—	5.5	19.0	—	375	970	158.7
Resource conservation and recovery .....	18.1	20.9	20.9	1,589	2,669	1,714	-35.8
Administration (distributed) .....	<u>11.4</u>	<u>12.8</u>	<u>12.8</u>	<u>(1,090)</u>	<u>(1,030)</u>	<u>(1,234)</u>	<u>19.8</u>
Totals .....	64.8	70.6	86.9	\$4,181	\$5,616	\$5,475	-2.5%
Funding Sources							
General Fund .....				\$4,155	\$4,228	\$4,505	6.6%
Solid Waste Disposal Site Cleanup and Maintenance Account ..				—	375	970	158.7
Petroleum Violation Escrow Account .....				—	1,000	—	-100.0
Reimbursements .....				26	13	—	-100.0

**Table 2**  
**California Waste Management Board**  
**Proposed Budget Changes**  
**1988-89**  
**(dollars in thousands)**

	General Fund	Solid Waste Disposal Account <sup>a</sup>	Other	Total
1987-88 Expenditures .....	\$4,228	\$375	\$1,013	\$5,616
<i>Workload and Administrative Adjustments:</i>				
Employee compensation increases and other administrative adjustments .....	87	—	-13 <sup>b</sup>	74
Facilities operation .....	50	—	—	50
<i>Program Changes:</i>				
Implementation of Ch 1319/87, Solid Waste Disposal Site Hazard Reduction Act .....	—	595	—	595
Local Enforcement Agency Assessments .....	140	—	—	140
Deletion of one-time waste-to-energy re- search .....	—	—	-1,000 <sup>c</sup>	-1,000
1988-89 Expenditures (Proposed) .....	\$4,505	\$970	—	\$5,475
Change from 1987-88:				
Amount .....	\$277	\$595	-\$1,013	-\$141
Percent .....	6.6%	158.7%	-100%	-2.5%

<sup>a</sup> Solid Waste Disposal Site Cleanup and Maintenance Account, General Fund.

<sup>b</sup> Reimbursements.

<sup>c</sup> Petroleum Violation Escrow Account, Federal Trust Fund.

**CALIFORNIA WASTE MANAGEMENT BOARD—Continued**

Table 1 summarizes the staffing and expenditures for the board from 1986-87 through 1988-89. It shows that the board proposes to increase its staff by 16.3 personnel-years in 1988-89. Table 2 shows the proposed budget changes, by funding source, for the board in 1988-89.

**ANALYSIS AND RECOMMENDATIONS***We recommend approval.*

Our analysis indicates that the budget request for the California Waste Management Board in 1988-89 appears reasonable and is consistent with the board's statutory mandates, including the new mandates in Ch 1319/87.

**New Landfill Hazard Reduction Program.** Chapter 1319, Statutes of 1987, initiated a new program to prevent the hazards associated with improperly closed or abandoned landfills and to ensure that adequate funding is available to correct landfill problems that threaten public health. The act requires landfill owners to plan for, and demonstrate their ability to pay for, proper landfill closure and postclosure maintenance. The act also creates a new statewide waste disposal fee to be paid by all landfill owners/operators, starting January 1, 1989. The fee will be set at a rate (about 50 cents per ton of garbage) that will generate approximately \$20 million annually. This money will be used by the board in two ways. First, the board will make grants to cities, counties and regional water quality control boards for programs to collect household hazardous wastes and for waste control and enforcement programs. Second, the board will guarantee loans to landfill operators who require financial assistance to correct existing landfill health and safety problems.

The board plans to accomplish the following tasks by July 1, 1989:

- Develop emergency regulations governing the adoption of closure and postclosure maintenance plans,
- Promulgate final regulations governing landfill owners' financial responsibility for closure and postclosure maintenance,
- Adopt uniform standards governing landfill closure and postclosure maintenance,
- Adopt criteria and regulations governing loan guarantees to assist landfill owners to correct health and safety violations or to implement closure or postclosure plans, and
- Adopt criteria and regulations governing grants to cities and counties for household hazardous waste collection programs.

The act appropriates \$2 million from the General Fund to the new Solid Waste Disposal Site Cleanup and Maintenance Account as a start-up loan for the program. The board estimates that it will spend \$375,000 in the current year and \$970,000 in 1988-89 for program costs. Thus, \$655,000 will remain from the original General Fund loan to cover program costs during the first eight months of 1989-90. After March 1, 1990, the board expects to be able to repay the General Fund loan and fund ongoing program costs with revenue from the new disposal fee.

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**Resources Agency**  
**AIR RESOURCES BOARD**

Item 3400 from the General  
Fund and special funds

Budget p. R 37

Requested 1988-89.....	\$68,109,000
Estimated 1987-88 .....	81,684,000
Actual 1986-87 .....	77,871,000
Requested decrease (excluding amount for salary increases) \$13,575,000 (-17 percent)	
Total recommended reduction.....	2,327,000
Recommendation pending .....	1,739,000

**1988-89 FUNDING BY ITEM AND SOURCE**

Item—Description	Fund	Amount
3400-001-001—Support	General	\$6,746,000
3400-001-044—Support	Motor Vehicle Account, State Transportation	40,380,000
3400-001-115—Support	Air Pollution Control	2,389,000
3400-001-140—San Joaquin Valley modeling study	Environmental License Plate	300,000
3400-001-420—Inspection and maintenance pro- gram	Vehicle Inspection	2,059,000
3400-001-434—Toxic hot spots	Air Toxics Inventory and As- sessment Account, General	1,107,000
3400-001-465—Cogeneration	Energy Resources Programs Account, General	190,000
3400-001-890—Support	Federal Trust	5,035,000
3400-101-044—Subventions to air pollution con- trol districts	Motor Vehicle Account, State Transportation	7,511,000
Ch 1390/85—Grant administration	Offshore Energy Assistance	53,000
Ch 1219/87—Toxic air contaminant study	General	10,000
	Motor Vehicle Account, State Transportation	90,000
	Environmental License Plate	50,000
Reimbursements		2,189,000
Total		\$68,109,000

**SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS**

*Analysis  
page*

- |   |     |
|---|-----|
| 1. Toxic Hot Spots Program Implementation. Withhold recommendation on \$1,107,000 requested for implementation of Ch 1252/87, pending receipt and analysis of detailed workload estimates.            | 321 |
| 2. San Joaquin Valley Study. Recommend the Legislature adopt Budget Bill language requiring the commitment of at least \$4 million from other study participants prior to expenditure of state funds. | 322 |
| 3. Hazardous Waste Management Support. Withhold recommendation on \$187,000 in reimbursements from the Department of Health Services, pending additional workload infor-                              | 323 |



**AIR RESOURCES BOARD—Continued**

- mation in conformance with our recommendation in Item 4260.
4. Emergency Toxic Release Data Management. Withhold recommendation on \$122,000 in reimbursements from the Office of Emergency Services, pending identification of the source of these funds in conformance with our recommendation in Item 0690. 323
  5. *Solvents Control Program. Reduce Item 3400-001-001 by \$32,000 and Item 3400-001-044 by \$145,000 and eliminate 2.8 PYs.* Recommend reduction because there is not sufficient workload for all of the requested personnel. 324
  6. Hazardous Materials Information Management Program. Withhold recommendation on \$323,000 requested by the Environmental Affairs Agency for development of a data management system, pending receipt of a report from the agency in March. 324
  7. *Marine Fisheries Mitigation Program. Reduce Item 3400-001-890 by \$2,150,000.* Recommend reduction because the policy issues raised by the proposal are better addressed in pending legislation and because the proposal lacks basic information. 325

**GENERAL PROGRAM STATEMENT**

The Air Resources Board (ARB) is responsible for achieving and maintaining satisfactory air quality in California. The board establishes ambient air quality standards for certain pollutants, regulates vehicle emissions, identifies and controls toxic air pollutants, administers air pollution research studies, develops and implements the State Implementation Plan for the attainment and maintenance of federal air quality standards, and oversees the regulation of stationary sources of pollution by local air pollution control districts.

The board consists of a full-time chairperson and eight part-time members, all of whom are appointed by the Governor and serve at his pleasure. The chairperson of the board also serves as the Governor's Secretary of Environmental Affairs and, as such, has an advisory and coordinating role in the environmental area.

The board has 604 personnel-years in the current year.

**OVERVIEW OF THE BUDGET REQUEST**

The budget proposes total expenditures of \$68.1 million for the Air Resources Board in 1988-89, a decrease of \$13.6 million, or 17 percent, below estimated current-year expenditures. This decrease primarily is due to a one-time expenditure of \$17.4 million in the current year by the Environmental Affairs Agency (which is included in the ARB budget) for grants to local governments under the Coastal Resources and Energy Assistance Act (Ch 1390/85). Excluding this special expenditure, total proposed spending is \$3.8 million, or 6 percent, more than estimated current-year spending.

Table 1 summarizes the staffing and expenditures for the board from 1986-87 through 1988-89. It shows that the budget proposes to increase the board's staff by 67 personnel-years.

**Table 1**  
**Air Resources Board**  
**(Including Environmental Affairs Agency)**  
**Budget Summary**  
**1986-87 through 1988-89**  
**(dollars in thousands)**

	<i>Personnel-Years</i>			<i>Expenditures</i>			<i>Percent</i>
	<i>Actual</i>	<i>Est.</i>	<i>Prop.</i>	<i>Actual</i>	<i>Est.</i>	<i>Prop.</i>	<i>Change</i>
<i>Programs:</i>	<i>1986-87</i>	<i>1987-88</i>	<i>1988-89</i>	<i>1986-87</i>	<i>1987-88</i>	<i>1988-89</i>	<i>From</i>
<b>Air Pollution Control Program</b>							
Technical support.....	88.6	90.7	105.0	\$9,138	\$9,346	\$10,503	12.4%
Stationary source.....	71.3	81.0	101.8	12,882	13,791	15,292	10.9
Mobile source.....	127.5	121.7	131.5	10,543	13,213	12,515	-5.3
Compliance.....	41.5	43.0	49.4	3,679	4,011	4,532	13.0
Research.....	47.9	45.5	44.8	11,544	11,493	9,013	-21.6
Monitoring and laboratory.....	115.4	111.7	124.5	11,463	10,966	12,465	13.7
General support:							
Distributed to programs.....	109.5	99.7	99.7	(7,163)	(7,232)	(7,334)	-1.4
Undistributed.....	0.2	1.0	1.0	5	22	22	—
Environmental Affairs Program..	8.0	9.9	13.7	18,617	18,842	3,767	-80.0
<b>Totals.....</b>	<b>609.9</b>	<b>604.2</b>	<b>671.4</b>	<b>\$77,871</b>	<b>\$81,684</b>	<b>\$68,109</b>	<b>-16.6%</b>
<b>Funding Sources</b>							
<i>General Fund.....</i>				\$5,746	\$5,942	\$6,756	13.7%
<i>Motor Vehicle Account, State Transportation Fund.....</i>				46,048	46,131	47,981	4.0
<i>Air Pollution Control Fund.....</i>				2,347	2,361	2,389	1.2
<i>California Environmental License Plate Fund.....</i>				1,200	1,510	350	-76.8
<i>Vehicle Inspection Fund.....</i>				708	1,742	2,059	18.2
<i>Air Toxics Inventory and Assessment Account, General Fund..</i>				—	—	1,107	—
<i>Energy Resources Programs Account, General Fund.....</i>				183	185	190	2.7
<i>Federal funds.....</i>				2,792	2,798	5,035	79.9
<i>Offshore Energy Assistance Fund.....</i>				17,975	6,917	53	-99.2
<i>Local Coastal Program Improvement Fund.....</i>				—	10,500	—	—
<i>Reimbursements.....</i>				872	3,598	2,189	-39.2

Table 2 shows the proposed budget changes, by funding source, for the board in 1988-89.

## ANALYSIS AND RECOMMENDATIONS

We recommend approval of all workload and administrative adjustments shown in Table 2, as well as the following proposed budget changes which are not discussed elsewhere in this analysis:

- \$150,000 and 1.9 personnel-years (PYs) to implement Ch 1219/87, which requires the ARB to study the need for increased monitoring of toxic air contaminants and to adopt appropriate guidelines for local districts to do so.
- \$701,000 and 9.7 PYs to maintain the acid deposition monitoring network established under the Kapiloff Acid Deposition Act.
- \$590,000 and 7.3 PYs to assess the results of the acid deposition program.
- \$328,000 and 4.5 PYs to implement the second year of the Environmental Assistance Program to audit enforcement activities of air pollution control districts and to develop a self-audit program for industry.

## AIR RESOURCES BOARD—Continued

Table 2  
Air Resources Board  
(Including the Environmental Affairs Agency)  
Proposed 1988-89 Budget Changes  
(dollars in thousands)

	General Fund	Motor Vehicle Account	Air Pollution Control Fund	Other Special Funds	Federal Funds and Reimburse- ments	Total
1987-88 Expenditures (Revised).....	\$5,942	\$46,131	\$2,361	\$20,854	\$6,396	\$81,684
<i>Workload and Administrative</i>						
<i>Adjustments:</i>						
Deletion of one-time expenditures ...	—	-750	-348	-17,614	-1,988	-20,700
Expiring program—acid deposition...	—	-2,172	-800	-1,200	—	-4,172
Price/employee compensation.....	136	782	—	38	60	1,016
Miscellaneous.....	—	40	-47	-89	36	-60
<i>Program Changes:</i>						
Implement Ch 1219/87—local toxics monitoring .....	10	90	—	50	—	150
Maintain acid deposition monitoring program .....	108	532	61	—	—	701
Assessment of acid deposition pro- gram research results .....	27	123	440	—	—	590
Continue San Joaquin Valley model- ing study .....	—	750	—	250	—	1,000
Continue to implement environmen- tal assistance program .....	56	256	16	—	—	328
Intensify efforts to reduce solvent emissions .....	66	302	4	—	—	372
Evaluate emissions from clean fuels..	23	364	—	—	—	387
Expand vehicle testing capability....	—	179	304	—	—	483
Increase consumer awareness of smog warranty coverage .....	—	—	—	363	—	363
Compile emergency toxic release data and evaluate need for prevention program .....	49	224	—	—	122	395
Increase research on indoor air qual- ity.....	91	412	—	—	—	503
Begin research on health effects of long-term exposure to air pollution.	66	302	—	—	—	368
Expand particulate monitoring net- work .....	37	170	140	—	—	347
Expand Kern County monitoring net- work .....	18	84	251	—	—	353
Provide modeling support for hazard- ous waste management.....	—	—	—	—	187	187
Evaluate rural/small urban district programs .....	23	104	7	—	—	134
Increase support for the Toxics Scien- tific Review Panel .....	—	—	—	—	100	100
Implement Ch 1252/87—Toxics "Hot Spots" Act.....	—	—	—	1,107	—	1,107
Develop hazardous materials informa- tion management system .....	104	58	—	—	161	323
Establish mitigation program for fish- eries .....	—	—	—	—	2,150	2,150
1988-89 Expenditures (Proposed) .....	\$6,756	\$47,981	\$2,389	\$3,759	\$7,224	\$68,109
Changes from 1987-88:						
Amount.....	\$814	\$1,850	\$28	-\$17,095	\$828	-\$13,575
Percent.....	13.7%	4.0%	1.2%	-82.0%	12.9%	-16.6%

- \$387,000 and 5.8 PYs to assist in evaluating emissions from vehicles and stationary sources using "clean" fuels, such as methanol.
- \$483,000 and 4 PYs to expand the capacity for testing vehicle emissions at the ARB's Haagen-Smit Laboratory in El Monte.
- \$363,000 and 3.9 PYs to increase consumer assistance by mediating emission warranty disagreements with manufacturers, and to begin smog checks of heavy-duty diesel vehicles.
- \$347,000 and 2.5 PYs to expand the existing monitoring network for small particulates, known as "PM-10."
- \$353,000 and 1 PY to expand the monitoring capability in Kern County to include upper air measurements in order to better characterize the ozone problem in the lower San Joaquin Valley.
- \$134,000 and 1.9 PYs to begin evaluations of the effectiveness of small urban and rural air pollution control districts' programs.
- \$100,000 in reimbursements and 1.9 PYs to provide staff assistance to the Toxics Scientific Review Panel for the Department of Food and Agriculture.

#### **Toxic Hot Spots Implementation**

*We withhold recommendation on \$1,107,000 from the Air Toxics Inventory and Assessment Account, General Fund, requested to implement the requirements of Ch 1252/87 (AB 2588), the Toxic Hot Spots Information and Assessment Act of 1987, pending receipt and analysis of detailed workload estimates.*

The budget requests \$1.1 million in anticipated fee revenues from the Air Toxics Inventory and Assessment Account in the General Fund for 20.3 PYs of additional staff in order to implement Ch 1252/87 (AB 2588). Chapter 1252 was enacted to provide more information on the amounts and types of toxic air emissions by public and private facilities of all sizes that use hazardous substances, and to identify any toxic "hot spots"—geographic areas where those emissions may expose people nearby to higher-than-normal health risks.

**ARB's Role.** The statute requires the ARB to establish guidelines by May 1989 for reports to air pollution control districts by facilities that emit specified hazardous substances. In addition, the ARB is required to (1) develop, on or before July 1989, a system to compile and make available all the data collected under the program, (2) provide, by March 1990, data on emissions from mobile sources and "area sources," (for example, field burning), and (3) use any relevant data from this program to characterize or develop control measures for toxic air contaminants under Ch 1047/83, in order to reduce their emissions. The ARB also will provide technical assistance to districts on request.

**Districts' Role.** Under Ch 1252/87, air pollution control districts will receive inventory reports of hazardous substances emissions from facilities beginning August 1989, and will rank the facilities in terms of health risk. The highest priority facilities must prepare a health risk assessment by May 1991. The districts will prepare annual reports on the number, type, and hazard posed by emissions by July 1991, and the Department of Health Services will review the health risk assessments by November 1991.

**Specific Workload Estimates Needed.** The ARB has not provided sufficient workload data to justify the requested level of staffing for the program in 1988-89. The board's proposal identifies only its general areas

**AIR RESOURCES BOARD—Continued**

of responsibility under Ch 1252/87 and the number of staff that would be assigned to each area. It does not include, however, specific workload estimates nor does it relate the proposed activities to the individual tasks and deadlines required by the legislation. Without specific workload estimates that relate to the statutory requirements of Ch 1252/87, it is not possible to evaluate the ARB's budget proposal. Accordingly, we withhold recommendation on \$1,107,000 requested for the Toxic Hot Spots program, pending receipt and analysis of detailed workload estimates.

**San Joaquin Valley Study**

*We recommend that the Legislature adopt Budget Bill language in Item 3400-001-001, similar to language adopted last year, requiring assurances of at least \$4 million of funding from other project participants before state funds can be spent, in order to assure that the study is adequately funded to achieve its goals.*

The budget requests \$1 million (\$750,000 MVA and \$250,000 ELPF) in 1988-89 as the state's contribution to continue the San Joaquin Valley Data Collection and Modeling Study. The requested amount is the same as the amount the board received in the current year to begin the study. The ARB estimates the study's total cost at approximately \$30 million over five years. The study design includes an intensive short-term data collection and evaluation effort, and a longer-term modeling effort to provide information needed to control ozone pollution in the lower San Joaquin Valley.

Local air pollution control districts and industry requested the study in order to reevaluate nitrogen oxide (NO<sub>x</sub>) control measures required by the ARB. Because of the origin of the project and its size and scope, most of the funding was to come from the other participants. In order to make this funding arrangement explicit, the Legislature adopted language in the 1987-88 Budget Act (1) requiring letters from the other project participants verifying the commitment of funds for 1987-88, and (2) limiting the state's contribution to 30 percent of total study costs.

*Nonstate Funding Falls Short.* In 1987-88, the amount received from participants was \$2.3 million, which fell \$2.1 million short of the amount anticipated in the project workplan. In 1988-89, the ARB indicates that a total of \$5 million to \$6 million is needed to avoid having the project fall further behind schedule. The 1988 Budget Bill again contains language to limit the state's expenditures, but does not include the language adopted in the current year to require funding commitments from the other participants before state funds can be spent.

While the \$1 million requested by the ARB for 1988-89 could maintain some monitoring work and technical studies, without \$4 million to \$5 million additional funds, the information that can be gathered from the study will be only marginally useful.

*Nonstate Funding Not Yet Committed for 1988-89.* The board's budget request indicates that funds are being sought from eight counties, the EPA, industry, and other interested parties. The ARB indicates that the project participants and their level of funding may differ from year to year through the life of the project. At this point, however, there is no assurance that *any* outside funding will be available in the budget year.

*Conclusion.* Because the amount of funds needed in 1988-89 to keep the study from falling further behind schedule is well beyond what the

budget requests, we believe that there should be a requirement for the commitment of enough funds to carry out an adequate study before state monies are spent. Accordingly, we recommend that the Legislature adopt the following Budget Bill language in Item 3400-001-001, which differs from language in the 1987 Budget Act by requiring a minimum commitment of at least \$4 million from other participants before state funds are spent:

Of the amount appropriated in this item, \$1 million (\$750,000 transferred from Item 3400-001-044 and \$250,000 transferred from Item 3400-001-140) is for a San Joaquin Valley Data Collection and Modeling Study, and is not available for expenditure until the Executive Officer of the Air Resources Board certifies to the Department of Finance that a total of at least \$4 million in nonstate funding has been committed.

#### **Hazardous Waste Management Support**

*We withhold recommendation on \$187,000 in reimbursements for two positions to assist the Department of Health Services (DHS) in analyzing air quality impacts of hazardous waste facilities, pending receipt of information from DHS to justify the request.*

The budget includes \$187,000 in reimbursements from the Department of Health Services (DHS) for two positions to assist DHS in analyzing air quality impacts of hazardous waste facilities and sites. In our analysis of the DHS budget (please see Item 4260) we withhold recommendation on this request because there currently is insufficient information to justify the proposed work by the ARB. Consequently, we withhold recommendation on the corresponding ARB budget request for \$187,000 in reimbursements from DHS for two positions, pending receipt of supporting information from DHS.

#### **No Funds For Emergency Release Data Management**

*We withhold recommendation on \$122,000 in reimbursements to manage a data system for new reports of emergency releases of hazardous substances, pending receipt of information from the Office of Emergency Services (OES) concerning how it intends to fund implementation of the federal Title III of the Superfund Amendments and Reauthorization Act of 1986.*

The budget requests \$395,000 (\$49,000 General Fund, \$224,000 Motor Vehicle Account, and \$122,000 in reimbursements) and 3.9 PYs to (1) determine if there is a need for developing a prevention program for emergency releases of toxic air pollutants and (2) compile data resulting from federal reporting requirements. The budget request includes \$123,000 and 2 PYs to evaluate emergency toxic release data collected by local governments and \$150,000 to contract with air pollution control districts to inspect emergency release control systems at a sample of facilities. Both proposals are intended to determine if there is a need to develop a control program to prevent emergency releases of hazardous substances. In addition, the budget requests \$122,000 in reimbursements from the OES for 1.9 PYs to store and integrate data made available under Title III of the federal Superfund Amendments and Reauthorization Act of 1986 (SARA).

In our analysis of the OES budget (please see Item 0690), we withhold recommendation on funds to implement SARA because there currently is no statutory authority to collect the fees that would provide these funds

**AIR RESOURCES BOARD—Continued**

to OES. Correspondingly, we withhold recommendation on the ARB's request for \$122,000 in reimbursements and 1.9 PYs, pending resolution of the funding issue in the OES budget.

**Solvents Control Program Overstaffed**

*We recommend a reduction of \$177,000 and 2.8 PYs (\$32,000 General Fund and \$145,000 Motor Vehicle Account) requested for developing solvent emissions control measures because there is insufficient workload to justify the positions. (Reduce Item 3400-001-001 by \$32,000, and Item 3400-001-044 by \$145,000.)*

The ARB requests \$372,000 and 5.8 PYs to intensify its research into the uses of products containing solvents and to develop control measures to limit emissions from solvents. Solvent emissions originate from a wide variety of sources, such as automotive refinishing operations, hairsprays and adhesive products. The ARB proposes to evaluate and develop control measures for four categories of sources of solvent emissions annually, starting in 1988-89. The ARB anticipates that at least five years will be needed to develop control measures for a significant proportion of solvent emissions.

According to ARB staff, each source category of solvent emissions requires 1.5 PYs to collect data and develop control measures for adoption by air pollution control districts. Based on this estimate, 6 PYs should be sufficient to evaluate four emission categories in 1988-89. The ARB currently has 3 PYs of staff already allocated to the solvents control program, so that only 3 PYs of new staff will be needed in 1988-89. Consequently, the budget is requesting 2.8 PYs more than are necessary for the proposed program activities. Accordingly, we recommend a reduction of \$177,000 (\$32,000 from the General Fund and \$145,000 from the Motor Vehicle Account) to delete 2.8 PYs requested for the solvent emissions control program.

**ENVIRONMENTAL AFFAIRS AGENCY**

The budget requests \$3.8 million for support of the Environmental Affairs Agency (EAA) in 1988-89. Because the EAA is not authorized by statute, the agency's budget is included within the budget of the ARB. This requested amount primarily consists of \$412,000 from the General Fund, \$230,000 from the MVA, \$2.2 million from the state's share of federal offshore oil revenues, and \$922,000 in reimbursements. The 1988-89 budget represents a decrease of \$15 million, or 80 percent, from estimated current-year expenditures, primarily due to the one-time expenditure of \$17.3 million in 1987-88 for grants to local governments under the Coastal Resources and Energy Assistance Act (Ch 1390/85). Excluding this one-time expenditure, the budget request for the EAA represents a net increase of \$2.2 million, or 41 percent, over estimated current-year expenditures.

The proposed increase primarily consists of (1) \$2.2 million for the first year of a three-year program to assist fishermen who have been adversely affected by offshore oil and gas development and (2) an increase of \$159,000 in reimbursements to continue and expand development of a data management system for hazardous substance information.

**Hazardous Material Information Management Report Expected**

*We withhold recommendation on \$323,000 and 5.2 PYs requested to continue evaluation of a data management system for hazardous*

***materials information, pending receipt of a report identifying the data management options that the agency will evaluate in 1988-89.***

The budget requests \$323,000 and 5.2 PYs for the EAA to continue work begun in the current year which evaluates the potential for coordinating hazardous material data collected by state and local agencies. The EAA submitted a study to the Legislature as required under Ch 1559/85 (AB 2184), evaluating the need for changes in the way the state collects and maintains information regarding hazardous materials. We subsequently reviewed that report pursuant to the legislation. (Please see our report 87-14, *A Review of the State's Plan to Integrate Hazardous Materials Databases.*)

As a result of our analysis of the agency's report, we recommended that the EAA provide additional information to the Legislature by March 15, 1988 concerning (1) the status of the program and (2) the data management options that the EAA will evaluate in its Feasibility Study Report (FSR), expected in September 1988. The agency indicates that it expects to provide this information by the requested date. The additional information will provide a better basis for evaluating the EAA's budget request for the program. Accordingly, we withhold recommendation on the EAA's request for \$323,000 and 5.2 PYs to evaluate the feasibility of implementing a data management system, pending receipt of additional information from the agency expected in March.

#### **Local Marine Fisheries Mitigation Proposal**

***We recommend deletion of \$2,150,000 in federal funds requested to develop and implement a program to assist fishermen affected by offshore oil development, because (1) the policy issues raised by the proposal are better addressed in pending legislation and (2) the proposal lacks basic information. We further recommend incorporating requirements for specific program goals, objectives and workplans in any legislation establishing the program. (Reduce Item 3400-001-890 by \$2,150,000.)***

The budget requests \$2,150,000 from the state's share of federal offshore oil revenues (under section 8(g) of the federal Outer Continental Shelf Lands Act) to implement a multifaceted program to assist fishermen whose activities have been adversely affected by offshore oil and gas development off the southern and central California coast. The agency is proposing a three-year program with a total cost of \$6 million. The proposed program has seven elements, six of which are proposed for funding in 1988-89 as follows:

- ***Area, Gear, and Technology Development Grants.....\$1,095,000***

Grants of up to \$10,000 each to qualified fishermen to develop new fishing areas and gear, or use gear in an experimental manner. The Secretary of Environmental Affairs would award grants at the recommendation of a new Fisheries Program Committee.

- ***Vessel and Gear Staging and Repair Service.....\$500,000***

Provides funds to the State Coastal Conservancy (SCC) to lease dock space and develop facilities for vessel and gear repair and for vessel staging prior to fishing. Fees would cover maintenance of the facilities.



**AIR RESOURCES BOARD—Continued**

- ***Vessel Safety, Survey and Survival Equipment Grants.....\$138,000***  
Grants to qualified fishermen for vessel safety equipment surveys, and purchase of safety and survival equipment necessary to extend fishing range.
- ***Debris Cleanup Fund.....\$100,000***  
Provides funds to the State Lands Commission (SLC) to identify and remove oil and gas development debris that damages fishing gear.
- ***Marketing Assistance Program.....\$200,000***  
Provides funds to the Department of Food and Agriculture (DFA) to establish a marketing program for underutilized species of fish and shellfish.
- ***Fisheries Development Corporation.***  
Establishes an industry-supported corporation to continue to assist the fishing industry. No funds requested in 1988-89.
- ***Program Administration.....\$117,000***  
Funds EAA administrative costs and expenses of members of the Fisheries Program Committee.

***Should State Funds Pay to Mitigate Impacts of Offshore Oil Development?*** The proposal raises a basic policy issue. Should the state use its funds to mitigate adverse effects on the fishing industry caused by the exploration and development operations of oil companies in *federal* offshore waters? There is no federal requirement that the state use section 8(g) revenue for mitigation or any other specific purpose. Consequently, these funds are interchangeable with the General Fund, and their use should be weighed against other General Fund priorities.

***Proposal Lacks Basic Information.*** The EAA has not provided the Legislature with a well developed program proposal to evaluate. The proposal fails to provide specific or quantified descriptions of the adverse impacts on the fishing industry that it seeks to mitigate. Furthermore, the EAA has not provided specific plans or goals for its programs. For example, the proposal for the Area, Gear and Technology Development Grant Program does not identify the new fishing areas to be developed or the types of gear to be developed or tested. Nor has the EAA evaluated the information gained from an existing experimental gear program administered by the State Coastal Conservancy, or provided any justification for establishing its own fisheries research and development program when a similar program already exists. The EAA proposal for the Debris Cleanup Fund does not identify the hazards posed by debris in fishing grounds, or include an estimate from the State Lands Commission of the cost of removing debris hazards. Finally, the EAA has not provided criteria for determining the priority of awarding grants for vessel safety surveys and survival equipment.

***Legislation Pending To Establish The Fisheries Mitigation Program.*** The Legislature is currently considering legislation, AB 2605 (Seastrand), which would establish this program. In acting on this bill, the Legislature will have the opportunity to decide the policy and funding questions raised by the EAA's budget proposal.

***Conclusion.*** The fisheries mitigation proposal raises policy issues that are best addressed in pending legislation. Accordingly, we recommend

deletion of the budget request for \$2,150,000 to establish a program to mitigate the impact of offshore oil and gas development on the fishing industry because the program's policy implications and funding should be considered together in legislation. If the Legislature determines to establish such a program, then we recommend that the Legislature also require the administering agency to (1) prepare a workplan for any area, gear and technology grants or loans based on specific research and development needs, (2) prepare a workplan for debris hazard removal, and (3) develop criteria to determine the priority for awarding vessel safety survey and survival equipment grants.

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### AIR RESOURCES BOARD—CAPITAL OUTLAY

Item 3400-301 from the Air  
Pollution Control Fund

Budget p. R 49

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Requested 1988-89.....	\$101,000
Recommended approval.....	101,000

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### ANALYSIS AND RECOMMENDATIONS

#### Haagen-Smit Laboratory—modifications

*We recommend approval of \$101,000 requested in 1988-89 under Item 3400-301-115 for preliminary plans and working drawings. We further recommend that the Legislature adopt supplemental report language that recognizes a reduced estimated future cost for the project to eliminate an excessive amount budgeted for construction contingencies. (Future savings: \$140,000).*

The budget requests \$101,000 from the Air Pollution Control Fund for preliminary plans and working drawings for modifications to the Haagen-Smit Laboratory in El Monte. The estimated future cost for the modifications is \$1,033,000. The proposed project consists of three parts:

- (1) Enclosure of a breezeway area to provide a controlled temperature environment for cars awaiting manufacturers' emissions testing;
- (2) Conversion of a storage area to a new laboratory to test fuel vaporization from engines and automobile fuel tanks, and;
- (3) Installation of acid-resistant lab benches, fume hoods and miscellaneous fixtures in the Atmospheric Testing Laboratory.

The proposed project scope appears reasonable and consistent with the legislatively established purposes of the board's testing programs. The amount proposed for preliminary plans and working drawings appears to be justified. Accordingly, we recommend approval of \$101,000 requested for preliminary plans and working drawings.

The estimated future construction costs, however, include \$140,000 more for construction contingencies than allowed by the State Administrative Manual for renovation projects (7 percent of the construction contract amount). The estimated future cost of the project, therefore, should be reduced from \$1,033,000 to \$893,000. We recommend that the

**AIR RESOURCES BOARD—CAPITAL OUTLAY—Continued**

Legislature recognize this reduction in supplemental report language describing the scope and cost elements of this project.

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**Resources Agency  
COLORADO RIVER BOARD**

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

Budget p. R 49

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Requested 1988-89.....	\$802,000
Estimated 1987-88 .....	757,000
Actual 1986-87 .....	652,000
Requested increase (excluding amount for salary increases) \$45,000 (+5.9 percent)	
Total recommended reduction.....	None

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**1988-89 FUNDING BY ITEM AND SOURCE**

Item—Description	Fund	Amount
3460-001-001—Support	General	\$258,000
3460-001-140—Salinity Control	Environmental License Plate	11,000
Reimbursements	—	<u>533,000</u>
Total		\$802,000

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**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 factors involving Colorado River resources, through negotiations and administrative action, and occasionally through litigation. The board develops a unified position on pending issues reflecting the views of those California agencies which have 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 has 10.9 personnel-years.

**OVERVIEW OF THE BUDGET REQUEST**

The total 1988-89 budget proposed for the board from all sources is \$802,000, an increase of \$45,000, or 5.9 percent, over the current year. This

increase primarily reflects salary and wage adjustments, including full-year funding for a new position authorized during the current year. The amount requested consists of \$269,000 (34 percent) in state funds and \$533,000 (66 percent) in reimbursements from the six water agencies. The state funds consist of \$258,000 from the General Fund and \$11,000 from the Environmental License Plate Fund.

### ANALYSIS AND RECOMMENDATIONS

*We recommend approval.*

Our analysis indicates that the budget request for the board is reasonable.

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## Resources Agency DEPARTMENT OF CONSERVATION

Item 3480 from the General  
Fund and various funds

Budget p. R 51

Requested 1988-89.....	\$123,425,000
Estimated 1987-88 .....	110,929,000
Actual 1986-87 .....	21,980,000
Requested increase (excluding amount for salary increases)	
\$12,496,000 (+ 11.3 percent)	
Total recommended reduction.....	None

### 1988-89 FUNDING BY ITEM AND SOURCE

Item—Description	Fund	Amount
3480-001-001—Support	General	\$15,025,000
3480-001-035—Surface mining and reclamation program	Surface Mining and Reclamation Account, General	1,930,000
3480-001-042—Cal Tech seismograph network	State Highway Account, State Transportation	12,000
3480-001-141—Support	Soil Conservation	1,056,000
3480-001-144—Cal Tech seismograph network	California Water	12,000
3480-001-398—Support	Strong-Motion Instrumentation Program	3,032,000
3480-001-433—Support	Methane Gas Hazard Reduction	50,000
3480-001-890—Support	Federal Trust	599,000
3480-101-433—Local assistance	Methane Gas Hazard Reduction	350,000
Ch 1290/86—Beverage container recycling	California Beverage Container Recycling	80,557,000
Ch 1112/87—Seismic Hazard Mapping Program	Insurance Fund	100,000
Ch 1290/86—Redemption bonuses and recycling incentives	Redemption Bonus Account	20,000,000
Reimbursements	—	702,000
Total		\$123,425,000

### GENERAL PROGRAM STATEMENT

The Department of Conservation consists of four divisions:

**DEPARTMENT OF CONSERVATION—Continued**

- The Division of Mines and Geology functions as the state's geologic agent under the direction of the State Geologist.
- The Division of Oil and Gas regulates the development, operation, maintenance, and abandonment of oil, gas, and geothermal wells.
- The Division of Administration provides the policy direction and administrative services required to meet the department's program objectives. The open-space subvention program (Williamson Act), soils resource protection unit, and farmland mapping and monitoring program also are part of this division.
- The Division of Recycling administers the beverage container recycling program which promotes the recycling of soft drink and beer containers.

The department has 445 personnel-years in the current year.

**ANALYSIS AND RECOMMENDATIONS**

*We recommend approval.* The department proposes expenditure of \$123 million in 1988-89, an increase of \$12.5 million, or 11 percent, over

**Table 1**  
**Department of Conservation**  
**Budget Summary**  
**1986-87 through 1988-89**  
**(dollars in thousands)**

	Personnel-Years			Expenditures			Percent Change From 1987-88
	Actual 1986-87	Est. 1987-88	Prop. 1988-89	Actual 1986-87	Est. 1987-88	Prop. 1988-89	
<b>Programs</b>							
Geological hazards and mineral resources conservation .....	122.6	139.1	146.8	\$10,182	\$10,990	\$12,125	10.3%
Oil, gas, and geothermal protection .....	112.5	116.3	118.1	7,422	8,345	9,367	12.2
Land resource protection .....	7.7	11.3	13.2	704	986	1,376	39.6
Container recycling and litter reduction .....	26.9	106.5	106.5	3,672	90,608	100,557	11.0
Administration (distributed to other programs) .....	41.5	71.5	71.5	(2,851)	(4,775)	(4,887)	2.3
Totals .....	314.7	444.7	456.1	\$21,980	\$110,929	\$123,425	11.3%
<b>Funding Sources</b>							
General Fund .....				\$12,581	\$14,338	\$15,025	4.8%
California Beverage Container Recycling Fund (CBCRF) .....				3,672	70,608	80,557	14.1
Redemption Bonus Account, CBCRF .....				—	20,000	20,000	—
Surface Mining and Reclamation Account .....				1,576	1,759	1,930	9.7
Strong-Motion Instrumentation Program Fund .....				2,531	2,262	3,032	34.0
Soil Conservation Fund .....				—	—	1,056	— <sup>b</sup>
Farmlands Mapping Account .....				433	700	—	-100.0
California Water Fund .....				12	12	12	—
State Highway Account, State Transportation Fund .....				12	12	12	—
Methane Gas Hazards Reduction Account .....				—	—	400	—
Insurance Fund .....				—	—	100	—
Federal Trust Fund .....				625	653	702	7.5
Reimbursements .....				538	585	599	2.4

<sup>a</sup> Excludes expenditures for farmlands mapping in 1986-87 (\$539,000). Instead, these are reflected in Land Resource Protection in order to place program expenditure figures for all three years on a comparable basis.

<sup>b</sup> Not a meaningful figure.

estimated current-year expenditures. The bulk of this increase, \$10 million, is due to the full-year operation of the beverage container recycling program in 1988-89, compared with only 10 months in the current year. Proposed expenditures in 1988-89 primarily consist of: (1) \$15 million from the General Fund, (2) \$6.5 million from various special funds and (3) \$101 million from beverage container recycling fees.

Table 1 shows the department's expenditures and sources of funds for the past, current, and budget years. It also shows that the department's staff will increase by 11.4 personnel-years in 1988-89.

### Proposed Budget Changes

Table 2 summarizes by funding source the changes in the department's budget proposed for 1988-89.

**Table 2**  
**Department of Conservation**  
**Proposed 1988-89 Budget Changes**  
(dollars in thousands)

	<i>General Fund</i>	<i>Recycling Funds</i>	<i>Other State Funds</i>	<i>Other<sup>a</sup></i>	<i>Totals</i>
1987-88 Expenditures (revised) .....	\$14,338	\$90,608	\$4,745	\$1,238	\$110,929
Proposed Changes:					
Workload and Administrative					
Adjustments					
Delete one-time costs .....	-409	—	-701	-137	-1,247
Fund transfer .....	—	9,500	—	—	9,500
Miscellaneous .....	-89	—	89	—	—
Employee compensation .....	199	94	49	13	355
Rent increase .....	176	25	57	3	261
Price increase .....	99	—	39	11	141
Pro rata .....	—	330	36	—	366
Subtotals, Workload and Administrative Ad-					
justments .....	(-\$32)	(\$9,949)	(-\$431)	(-\$110)	(\$9,376)
Budget Change Proposals .....					
Earthquake insurance study .....	—	—	\$100	—	\$100
EIR preparation, Kern County oil drill-					
ing .....	\$589	—	—	—	589
Oil and gas engineer overtime .....	40	—	—	—	40
Mines and geology program increases ..	—	—	84	\$173	297
Strong motion program .....	—	—	1,116	—	1,116
Methane gas reduction program .....	—	—	400	—	400
Open space subvention study .....	90	—	—	—	90
Soil conservation plan .....	—	—	528	—	528
Subtotals, Budget Change Proposals .....	<u>(\$719)</u>	<u>(—)</u>	<u>(\$2,228)</u>	<u>(\$173)</u>	<u>(\$3,120)</u>
1988-89 Expenditures (Proposed) .....	\$15,025	\$100,557	\$6,542	\$1,301	\$123,425
Change from 1987-88:					
Amount .....	\$687	\$9,949	\$1,797	\$63	\$12,496
Percent .....	5%	11.0%	37.9%	5%	11.3%

<sup>a</sup> Federal funds and reimbursements

Some of the more significant budget change proposals shown in Table 2, are the following:

**DEPARTMENT OF CONSERVATION—Continued**

- An increase of \$1.1 million from the Strong-Motion Instrumentation Fund to expedite the installation of earthquake motion recorders pursuant to Ch 783/87.
- An increase of \$528,000 and 2.4 personnel-years from the Soil Conservation Fund to implement the department's soil conservation plan pursuant to Ch 1308/87.
- An increase of \$400,000 to administer the methane gas hazardous reduction grant program established by Chapter 1322/87.

**Status Report: Beverage Container Recycling Program**

As of October 1, 1987, consumers could redeem soft drink and beer bottles and cans for their penny "redemption value", under the beverage container recycling program established by Ch 1290/86. Beverage distributors pay the department a penny for each redeemable container they sell. These fee revenues, in turn, are continuously appropriated to the department to support the recycling program.

**Recycling Fund Revenues.** Since the inception of the program, the department has received approximately \$32 million in redemption value revenues from beverage distributors. As of January 30, 1988 the department had only been billed by recyclers for roughly \$15 million of this amount.

**Recycling Rates.** The act establishes an 80 percent recycling goal for beverage containers. If the recycling rate for a beverage container type (aluminum, glass, or plastic) does not reach at least 65 percent, its redemption value will increase to 2 cents in January 1990 and to 3 cents in January 1993. Before the recycling program commenced, recycling rates were roughly 50-55 percent for aluminum; 15-20 percent for glass; and 1-2 percent for plastic. The program's initial impact on recycling rates should be addressed in the department's first program report in February.

**Almost 3,000 Recycling Centers Open.** The act requires that a certified recycling center must be open by January 1, 1988 and located within a half-mile radius of each supermarket. The department expects all but about 130 of the roughly 3,000 required recycling centers to be open by mid-February 1988.

**Recycling Incentives and Grants.** From the redemption value revenues collected from beverage distributors, the department pays recyclers the penny-per-container redemption values and retains enough funds to pay its administrative costs (including repaying during the current year a General Fund loan of \$9.5 million for start-up costs). The act requires any unclaimed recycling revenue (from containers that are not recycled) to be used to fund various recycling incentive and grant programs. These include redemption bonuses, convenience incentive payments, and grants for community conservation corps and recycling education programs.

**Redemption Bonuses.** The act designates 60 percent of the unclaimed revenue for redemption bonuses. The redemption bonus is an extra amount, on top of the penny redemption value, paid to encourage the recycling of beverage containers. The department did not set a bonus amount initially in order to establish an adequate reserve in the fund, but it expects to establish a redemption bonus amount in March.

**Grant Programs.** The act earmarks 20 percent of the unclaimed revenues for grants to community conservation corps and local conservation groups for litter abatement activities. The department expects to award \$3 million in grants by April 1988.

**Convenience Incentive Payments.** The act earmarks 20 percent of the unclaimed revenues for convenience incentive payments. These payments are made to recycling centers as an incentive to reach a target number of recycled containers. As of January 27, 1988, \$3 million in convenience incentive payments were available to operating recycling centers. These centers are eligible to receive a maximum of \$310 for each month they redeem at least 10,000 containers.

## DEPARTMENT OF FORESTRY AND FIRE PROTECTION

Item 3540 from the General  
Fund and various funds

Budget p. R 65

Requested 1988-89.....	\$291,515,000
Estimated 1987-88 .....	330,336,000
Actual 1986-87 .....	270,850,000
Requested decrease (excluding amount for salary increases) \$38,821,000 (-11.7 percent)	
Total recommended reduction.....	840,000
Recommendation pending .....	1,417,000

### 1988-89 FUNDING BY ITEM AND SOURCE

Item—Description	Fund	Amount
3540-001-001—Primary Support	General	\$203,949,000
3540-006-001—Emergency fire suppression	General	7,288,000
3540-001-140—Forest practices, vegetation management	Environmental License Plate	3,884,000
3540-001-300—Board of Forestry, registration of foresters	Professional Foresters Registration	117,000
3540-001-890—Support	Federal Trust	5,125,000
3540-001-928—California Forest Improvement Program	Forest Resources Improvement	3,413,000
3540-001-940—Watershed mapping, soil erosion studies	Renewable Resources Investment	753,000
3540-001-965—Administration of timber harvest tax	Timber Tax	24,000
3540-011-928—Transfer to General Fund for cost of state forest system	Forest Resources Improvement	(1,594,000)
Transfer of expenditure authority from the Departments of Corrections and Youth Authority	—	8,601,000
Reimbursements	—	58,361,000
Total		\$291,515,000



**DEPARTMENT OF FORESTRY AND FIRE PROTECTION—Continued**

<b>SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS</b>	<i>Analysis page</i>
1. <i>Conservation Camps Water Systems. Reduce Item 3540-001-001 by \$539,000.</i> Recommend reduction because the department has not established the need for additional staff to monitor and maintain conservation camps' water supply.	338
2. <i>Camps Program Expansion. Reduce Transfers by \$202,000.</i> Recommend reduction because some additional staff will not be needed in budget year due to delays in camp expansion projects.	339
3. <i>Telecommunications Equipment Replacement.</i> Withhold recommendation on \$1,417,000 requested to augment telecommunications equipment and maintenance budget, pending receipt and analysis of the department's proposed multiyear telecommunications system plan.	339
4. <i>California Rare Conifers. Reduce Item 3540-001-140 by \$99,000.</i> Recommend reduction because the tree species the department intends to study are common elsewhere and are not on state or federal lists of threatened species.	340

**GENERAL PROGRAM STATEMENT**

The California Department of Forestry and Fire Protection (CDFFP) provides fire protection services directly or through contracts for approximately 35.7 million acres of timber, range, and brushland owned privately or by the state or local agencies. In addition, CDFFP provides fire protection to approximately 3.7 million acres of federal land under contracts with the U.S. Forest Service, the Bureau of Land Management (BLM), and other federal agencies. It also contracts with 30 counties to provide local fire protection and paramedic services in 52 areas for which local governments are responsible.

In addition, the department (1) operates 43 conservation camps, 5 training centers, and 2 fire centers, (2) regulates timber harvesting on private forestland, (3) provides advisory and financial assistance to landowners for forest and range management, (4) regulates and conducts controlled burning of brushlands, (5) manages seven state forests, and (6) operates three tree nurseries.

The nine-member Board of Forestry provides policy guidance to the department. It establishes forest practice rules and designates which wildlands are state responsibility lands for fire protection purposes. The members of the board are appointed by the Governor. The department has 4,182 personnel-years in the current year.

**OVERVIEW OF THE BUDGET REQUEST**

The budget requests \$292 million from the General Fund, various other state funds, federal funds, and reimbursements for support of the CDFFP in 1988-89. This is a decrease of \$39 million, or 12 percent, from estimated current-year expenditures. Table 1 shows the department's expenditures and staffing levels by program, and funding sources for the past, current, and budget years.

**Table 1**  
**Department of Forestry and Fire Protection**  
**Budget Summary**  
**1986-87 through 1988-89**  
**(dollars in thousands)**

Program	Personnel-Years			Expenditures			Percent Change From
	Actual 1986-87	Est. 1987-88	Prop. 1988-89	Actual 1986-87	Est. 1987-88	Prop. 1988-89	
Wildland fire protection and prevention—operations.....	2,058.0	2,022.9	1,971.0	\$129,834	\$130,793	\$135,996	4.0%
Cooperative fire protection.....	922.8	1,013.0	964.3	69,923	81,485	77,446	-5.0
Conservation camps.....	504.7	583.7	637.9	35,512	43,323	45,067	4.0
Emergency fire suppression.....	— <sup>a</sup>	— <sup>a</sup>	— <sup>a</sup>	14,799	52,288	9,288	-82.2
Forest practice regulation.....	67.6	67.7	67.7	4,972	5,574	5,660	1.5
Other resource management programs.....	150.1	161.3	165.0	15,810	16,873	18,058	7.0
Administration (distributed to other programs).....	291.9	333.0	352.9	(20,183)	(21,755)	(22,843)	5.0
Totals.....	3,995.1	4,181.6	4,158.8	\$270,850	\$330,336	\$291,515	-11.8%
<b>Funding Sources</b>							
General Fund.....				\$202,231	\$219,418	\$211,237	-3.7%
Environmental License Plate Fund.....				3,270	4,008	3,884	-3.1
Professional Foresters Registration Fund.....				108	115	117	1.7
Forest Resources Improvement Fund.....				3,320	2,446	3,413	39.5
Renewable Resources Investment Fund.....				614	632	753	19.1
Timber Tax Fund.....				23	23	24	4.3
Federal Funds.....				5,073	30,071	5,125	-83.0
Transfers from Departments of Corrections and the Youth Authority.....				—	10,440	8,601	-17.6
Reimbursements.....				53,211	63,133	58,361	-7.6

<sup>a</sup> Not applicable

A direct comparison of year-to-year expenditures in the budget is misleading because expenditures in 1987-88 include emergency costs that are \$43 million more than the amount regularly budgeted for emergency fire suppression. This year's emergency costs have been especially large due to the extensive fire siege that occurred in late summer and early fall. The excess emergency costs consist of (1) \$25 million in additional expenditure authority for federal funds provided under Section 28 of the 1987 Budget Act to fight fires on federal lands, (2) \$10 million allocated to CDFFP by the Director of Finance from the Disaster Response-Emergency Operations Account and included in General Fund expenditures, and (3) a deficiency authorization of \$8 million. Proposed 1988-89 expenditures do not include any similar funding, although the department traditionally incurs excess emergency firefighting costs each year which require a substantial deficiency appropriation or other increase in spending authority.

The budget also includes another change that distorts a direct year-to-year comparison of spending. For 1988-89, the budget shows a reduction of \$2.2 million in reimbursements from local governments to the department for providing local fire protection services. This reduction does not reflect any change in the resources devoted to this program, but rather

**DEPARTMENT OF FORESTRY AND FIRE PROTECTION—Continued**

is an accounting procedure to correct for past over-budgeting of these reimbursements.

If the \$2.2 million reduction for overbudgeted reimbursements and the \$43 million of excess fire suppression funding are excluded from the 1987-88 budget, the department's total expenditures will *increase* by \$6.5 million, or 2.3 percent, in 1988-89. The components of this net increase consist of:

- \$7.2 million for program augmentations outside the department's base budget,
- \$4.7 million for administrative adjustments such as the full-year cost of 1987-88 salary increases, and
- deletions of additional one-time expenditures in 1987-88 totaling \$5.5 million.

**Reimbursements and Transfers**

The budget indicates that the department expects to receive a total of \$67 million in reimbursements and expenditure transfers during 1988-89. Table 2 lists the major sources of these reimbursements and transfers. The largest amount, \$55 million, comes from local governments that receive fire protection and paramedic services from CDFFP on a contractual basis.

The department negotiates two types of contracts with local governments. Under *Schedule A* contracts, local governments reimburse the state for the full cost of year-round fire protection. Under *Amador Plan* contracts, local governments reimburse the state for only the *incremental* costs of using CDFFP employees and equipment to provide local fire protection during the winter (nonfire season).

The department also receives reimbursements from (1) various federal agencies for fire protection services on federal lands, (2) the California Department of Corrections (CDC) and the California Youth Authority (CYA) for equipment used at conservation camps, (3) the California Conservation Corps (CCC) for supervising and training corpsmembers in firefighting, and (4) CDFFP personnel for housing, food, and other services.

In addition, the budget proposes to authorize the Director of Finance to transfer \$8.6 million of General Fund expenditure authority from the CDC and the CYA to CDFFP for the support of newly activated conservation camps. Language authorizing these transfers appears in Items 5240-001-001 and 5460-001-001.

**Table 2**  
**Department of Forestry and Fire Protection**  
**Budgeted Reimbursements and Transfers**  
**1988-89**  
**(dollars in thousands)**

Program and Source of Funds	
Local fire protection services .....	\$55,078
Transfer of expenditure authority from CDC and CYA .....	8,601
CCC supervision and training of corpsmembers .....	1,353
Employee Payments for services .....	1,090
Miscellaneous .....	840
Total .....	\$66,962

**Proposed Budget Changes for 1988-89**

Table 3 summarizes proposed budget changes for 1988-89, by funding source.

**Table 3**  
**Department of Forestry and Fire Protection**  
**Proposed 1988-89 Budget Changes, By Fund**  
**(dollars in thousands)**

	<i>General Fund</i>	<i>Special Funds</i>	<i>Federal Funds</i>	<i>Reimburse- ments and Transfers</i>	<i>Totals</i>
1987-88 Expenditures (Revised) .....	\$219,418	\$7,224	\$30,071	\$73,573	\$330,286
<i>Baseline Adjustments</i>					
Full-year cost of employee compensa- tion increases and other administra- tive adjustments .....	3,851	-165	54	-22	3,718
Transfer operating costs of new conserva- tion camps to CDFFP .....	4,827	—	—	-3,787	1,040
Current-year excess emergency fire sup- pression costs .....	-18,000	—	-25,000	—	-43,000
Delete initial attack forces augmenta- tion .....	-2,590	—	—	—	-2,590
Delete other one-time costs .....	-228	-246	—	-2,425	-2,899
Delete excess spending authority for Schedule A program .....	—	—	—	-2,243	-2,243
Subtotals, Baseline Adjustments .....	(-\$12,140)	(-\$411)	(-\$24,946)	(-\$8,477)	(-\$45,974)
<i>Program changes</i>					
Conservation camp expansions .....	—	—	—	\$1,866	\$1,866
Upgrade telecommunications equip- ment .....	\$1,417	—	—	—	1,417
Mobile equipment replacement .....	1,234	—	—	—	1,234
Reforestation grants .....	—	\$1,000	—	—	1,000
Conservation camps new wells .....	134	—	—	—	134
Conservation camps maintenance per- sonnel .....	539	—	—	—	539
Increase special repairs & deferred maintenance .....	451	—	—	—	451
Aircraft safety equipment .....	184	—	—	—	184
Urban forestry .....	—	154	—	—	154
Tree disease research .....	—	125	—	—	125
Gene conservation for rare conifers .....	—	99	—	—	99
Subtotals, Program Changes .....	(\$3,959)	(\$1,378)	—	(\$1,866)	(\$7,203)
1988-89 Expenditures (Proposed) .....	\$211,237	\$8,191	\$5,125	\$66,962	\$291,515
Change from 1987-88					
Amount .....	-\$8,181	\$967	-\$24,946	-\$6,611	-\$38,771
Percent .....	-3.7%	13.4%	-83.0%	-9.0%	-11.7%

**ANALYSIS AND RECOMMENDATIONS**

We recommend approval of all baseline adjustments and the following significant program changes shown in Table 3, which are not discussed elsewhere in this analysis:

- \$1.2 million from the General Fund to supplement the department's \$4.9 million current-year budget for scheduled replacement and maintenance of mobile equipment, such as firetrucks and bulldozers.

**DEPARTMENT OF FORESTRY AND FIRE PROTECTION—Continued**

- \$1 million from the Forest Resources Improvement Fund to augment the department's current-year budget of \$1.4 million for California Forest Improvement Program (CFIP) reforestation grants.
- \$451,000 from the General Fund to add to the department's \$900,000 current-year budget for special repairs and deferred maintenance of facilities.

**Conservation Camps Water Systems**

*We recommend a reduction of \$539,000 and eight positions because the department has not established the need for additional personnel to monitor and maintain conservation camps water supply systems. (Reduce Item 3540-001-001 by \$539,000.)*

The CDFFP operates 45 conservation camps that house inmates, youth wards or members of the California Conservation Corps. Thirty-five of these camps have their own water supply systems that the department operates. Currently, surface flows provide the source of water for 12 of these camps. Water supply systems that use surface sources (such as streams) are more likely to become contaminated than are systems drawing water from underground aquifers. Because of this potential problem, and to comply with state and federal regulations, surface systems must be monitored on a daily basis. Surface systems also are more difficult and expensive to properly maintain than are most systems using wells.

To avoid these problems, the department proposes to convert four of its 12 surface source water systems in 1988-89 by connecting them to new wells bored into underground aquifers. The department requests approximately \$134,000 to accomplish this work and we recommend approval of that request. The CDFFP intends to connect four additional surface systems to wells in 1989-90, so that only four surface systems would remain in 1990-91.

The department also requests an additional \$539,000 for eight new positions (7 PYs) to monitor *all* of its camps' water systems on a daily basis. About 40 percent of the new staff's time would be devoted to monitoring surface supply systems, while 60 percent of their time would be devoted to monitoring well systems. The department's proposal states that daily monitoring of all of its water systems is required to comply with state and federal regulations governing operation of community water supply systems.

Our analysis indicates that the department does not need additional staff to conduct daily monitoring for the following reasons:

**1. Daily Monitoring Is Not Required for Wells.** According to staff at the Water Management Division of the U.S. Environmental Protection Agency (EPA) and at the Public Water Supply Systems Division of the California Department of Health Services (DHS), only *monthly* tests of bacteria levels are required to comply with regulations governing small community water supply systems drawing water from underground sources. Federal regulations do require daily testing of chlorine concentration when chlorine is added to drinking water to kill bacteria. However, neither federal nor state regulations require chlorine to be added to small community water supply systems that deliver water originating from an underground source. Furthermore, staff at EPA

maintain that adding chlorine may actually *degrade* the quality of water coming from underground aquifers.

**2. Chlorine Monitoring Is Simple and Quick.** If chlorine is added to water, testing the chemical's concentration is a simple and quick procedure, much like testing the chlorine concentration in a swimming pool. Staff at EPA and DHS estimate that the procedure takes no more than five minutes to conduct.

**3. Impractical to Add Staff for Monitoring Surface Systems Only.** By the end of 1988-89, only eight camps will have surface water systems, and these camps are scattered throughout the state. The monitoring and maintenance workload identified by the department for the water systems at these camps is 2.2 personnel-years or roughly 0.3 personnel-years per camp. Clearly, hiring additional staff to perform the monitoring at the eight camps would not be practical since the new staff would spend as much as half of each workday traveling between camps. Instead, the department should provide adequate training to the existing staff at these camps, so that they can properly monitor water quality and maintain the systems until they are connected to wells in the future.

Therefore, for the reasons cited above, we recommend a reduction of \$539,000 to eliminate eight new positions requested for monitoring and maintenance of water systems at conservation camps.

#### **Camps Program Expansion**

*We recommend a reduction of \$202,000 in scheduled transfers from the Department of Youth Authority because personnel costs for 3.4 PYs will not be needed in 1988-89 due to delays in completing camp expansion projects. (Reduce transfers by \$202,000.)*

The CDFFP, in conjunction with the Department of the Youth Authority, operates eight conservation camps and two training centers for Youth Authority wards. The CDFFP provides supervision for the wards. Traditionally, the Youth Authority pays for first-year operating costs of the camps and centers, including the CDFFP's supervisory expenses. Thereafter, CDFFP's costs are covered by a direct General Fund appropriation. In 1988-89, the budget proposes to transfer \$1.9 million in expenditure authority from the Youth Authority to CDFFP for the operation of one new camp dormitory and expanded operations at three additional camps.

Our analysis indicates that the Preston Fire Training Center and the Los Robles and Ventura conservation camps will become operational up to three months later than anticipated in the Governor's Budget. By incorporating the most recent estimates of the camps' activation dates, and by following CDFFP's procedure of filling positions two months prior to scheduled activation, we calculate that transfers from the Youth Authority to CDFFP, as well as proposed General Fund appropriations to the Youth Authority (please see Item 5460 for our corresponding recommendation), should be reduced by \$202,000.

#### **Telecommunications Equipment Replacement**

*We withhold recommendation on \$1,417,000 requested from the General Fund to augment the department's telecommunications equipment replacement budget, pending receipt and analysis of the department's proposed multiyear telecommunications system replacement and maintenance plan.*

**DEPARTMENT OF FORESTRY AND FIRE PROTECTION—Continued**

The budget requests an increase of \$1.4 million from the General Fund to begin a multiyear effort to correct deficiencies, improve maintenance and replace specified portions of the department's telecommunications system. This \$1.4 million augmentation would bring the department's annual spending for telecommunications to a total of about \$2.4 million. The department indicates that the \$970,000 it currently budgets for annual maintenance of its telecommunications network is not sufficient for two reasons: (1) CDFFP's maintenance budget has not been increased sufficiently to offset actual cost increases for replacement equipment and for contracted telecommunications maintenance work and (2) CDFFP's current equipment must be upgraded to (a) add tactical radio channels and (b) improve CDFFP's ability to coordinate communications with cooperating agencies, including the U.S. Forest Service (USFS) and local fire departments.

The CDFFP expects to complete a detailed multiyear plan for telecommunications maintenance and replacement by late February 1988. This plan should describe how CDFFP intends to maintain and upgrade its telecommunications system, as well as coordinate its communications operations with other agencies and departments, including the USFS, local fire departments, and the California Highway Patrol. The department's budget change proposal, however, indicates only that it intends to replace three pieces of existing telecommunications equipment and slightly improve the capability of its microwave system. The proposal does not address the compatibility of this equipment with the telecommunications system that will result from the multiyear plan. Nor does it address compatibility with the equipment of other fire and safety agencies.

Until the department completes its detailed multiyear telecommunications plan and describes how its current proposal fits within that plan, the Legislature has no basis to evaluate the department's overall telecommunication needs or to determine whether the budget proposal is consistent with those needs. Consequently, we withhold recommendation on the request, pending receipt and analysis of the department's multiyear telecommunications plan.

**California Rare Conifers**

*We recommend a reduction of \$99,000 from the Environmental License Plate Fund (ELPF) to study and preserve the genetic material of six species of conifers that are rare in California, because the tree species the department intends to study are common elsewhere and are not on either state or federal lists of threatened species. (Reduce Item 3540-001-140 by \$99,000.)*

The budget requests \$99,000 to collect seeds from six species of trees and to conduct testing to determine if the California populations of these trees are genetically distinct from populations of the same species existing elsewhere. The six species are: Pacific Silver Fir, Subalpine Fir, Engelmann Spruce, Sitka Spruce, Alaska Yellow Cedar, and Western Red Cedar.

The department indicates that, since the stands of these conifers found in California are on the fringe of their natural range, they are likely to be genetically distinct from other populations. According to the department, if the California trees are genetically different, these trees might provide

a source of disease-resistant genetic material for other states if the primary stands of these trees are attacked by disease.

None of the six tree species is on either state or federal lists of threatened species. Instead of being threatened, all six of these trees species are common throughout the Western U.S. and Canada, and several are planted as ornamentals in areas throughout the U.S. where climatic conditions are similar to those in the trees' primary ranges in the Pacific Northwest. Consequently, we believe it is extremely unlikely that any of the six species will ever be threatened with extinction. Additionally, existing law requires money from the ELPF to be used only for projects "which have a clearly defined benefit to the people of the State of California." The department has not identified any such benefit that would result from conducting this project. Furthermore, if this project did produce disease-resistant genetic material, and this material was used to prevent the spread of disease in the primary stands of these trees, the residents of other states would be the primary beneficiaries of this project. Accordingly, we recommend deletion of the \$99,000 requested from the ELPF for this project.

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## DEPARTMENT OF FORESTRY AND FIRE PROTECTION— CAPITAL OUTLAY

Items 3540-301 and 3540-490  
from various funds

Budget p. R 75

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Requested 1988-89.....	\$1,701,000
Recommended approval.....	1,075,000
Recommended reduction.....	461,000
Change in funding source.....	165,000

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### SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

Analysis  
page

1. Forest Resources Improvement Fund—Acquisitions. Recommend enactment of legislation authorizing use of Forest Resources Improvement Fund for acquisition of lands for state forest system. 343
2. *Mountain Home State Forest—Acquisition (Miller Parcel). Delete \$165,000 in Item 3540-301-928(2) from the Forest Resources Improvement Fund (FRIF) and instead fund in Item 3540-301-036(4) in the same amount from the Special Account for Capital Outlay (SAFCO).* Recommend financing acquisition of the Miller parcel at Mountain Home State Forest with a loan from the SAFCO to be repaid from the FRIF upon enactment of legislation authorizing the use of FRIF to acquire state forest lands. 343
3. *Boggs Mountain/Mountain Home State Forests—Acquisition. Reduce Items 3540-301-928 (1) and (3) by \$98,000 and \$363,000 respectively.* Recommend deletion of acquisition funds for parcels at Boggs Mountain and Mountain Home State Forests because the department has not substantiated 344



# **DEPARTMENT OF FORESTRY AND FIRE PROTECTION— CAPITAL OUTLAY—Continued**

the need for immediate purchase of the parcels.

4. Lonoak Helitack Base, Monterey County. Withhold recommendation on reappropriation of prior funds pending receipt of information addressing plans to relocate the helitack base and status of property acquisition. 345

## **ANALYSIS AND RECOMMENDATIONS**

The budget includes \$1,701,000 for capital outlay for the Department of Forestry and Fire Protection. This amount consists of \$1,075,000 from the Special Account for Capital Outlay (SAFCO) and \$626,000 from the Forest Resources Improvement Fund (FRIF). Table 1 shows the amounts requested for each project, by funding source, and our recommendations. In addition, the budget requests reappropriation of \$75,000 from the General Fund for the Lonoak Helitack Base in Monterey County.

**Table 1**  
**Department of Forestry and Fire Protection**  
**1988-89 Capital Outlay Program**  
**Items 3540-301-036 and 3540-301-928**  
**(dollars in thousands)**

Project	Budget Bill Amount		Analyst's Recommend- ation
	SAFCO	FRIF <sup>a</sup>	
Pilot Hill—acquisition.....	\$68	—	\$68
Opportunity acquisitions.....	20	—	20
Minor capital outlay.....	987	—	987
Boggs Mountain—acquisition.....	—	98	—
Mountain Home (Miller parcel).....	—	165	165 <sup>b</sup>
Mountain Home (State Lands parcel).....	—	363	—
Totals.....	\$1,075	\$626	\$1,240

<sup>a</sup> Forest Resources Improvement Fund.

<sup>b</sup> Analyst recommends funding from SAFCO.

## **Projects Financed from the Special Account for Capital Outlay**

*We recommend approval of \$1,075,000 requested under Item 3540-301-036 for three projects.*

**Pilot Hill Forest Fire Station.** The budget requests \$68,000 in Item 3540-301-036(1) for the acquisition of approximately 2.3 acres in El Dorado County, comprising the site of the department's existing Pilot Hill forest fire station. The current owner of the site does not wish to renew the state's lease which terminates on July 31, 1989. Acquisition of the site is warranted in order to protect the state's investment in facilities and to continue fire protection services in the surrounding area.

**Opportunity Purchases.** The budget proposes \$20,000 in Item 3540-301-036(2) for "opportunity purchases." This request would allow the department to acquire small parcels that may become available on short notice and where failure by the state to act quickly could result in the loss of unusually attractive acquisition opportunities. The amount proposed is reasonable and consistent with amounts approved by the Legislature in the past for this purpose.

**Minor Capital Outlay.** The budget requests \$987,000 in Item 3540-301-036(3) for minor capital outlay projects (construction projects costing

\$200,000 or less) in 1988-89. This amount will fund fourteen proposed projects, ranging in cost from \$6,000 to install an exhaust venting system in an automobile repair shop at Deadwood Conservation Camp in Siskiyou County to \$199,000 to replace a 50-year old apparatus building at the San Mateo-Santa Cruz Ranger Unit Headquarters. The various projects are justified and the estimated costs are reasonable. Consequently, we recommend approval.

#### **Unauthorized Use of the Forest Resources Improvement Fund (FRIF)**

*We recommend that the Legislature enact legislation authorizing use of FRIF monies for the acquisition of lands for the state forest system.*

The budget requests \$626,000 in Item 3540-301-928 from FRIF to acquire three parcels of land for the department's state forest system.

*Use of FRIF is Questionable.* The department believes that these acquisitions qualify for FRIF funding. Our analysis indicates, however, that the use of FRIF for acquisition of land for the state forest system is *not* consistent with the legislatively designated uses of that fund. Public Resources Code Section 4799.13 restricts FRIF expenditures to the following purposes:

- Forest improvement programs *as defined* in Chapter 1, Part 2.5, Division 4 of the Public Resources Code (loans and technical assistance for forest resource improvements on *privately-owned* lands),
- urban forestry programs,
- wood energy programs, and
- reimbursements to the General Fund for the costs of *operation* of the state forest system.

Although existing law does not designate the acquisition of land for the state forest system as a permissible use of FRIF monies, we believe it should. The principal sources of income for FRIF are receipts from the sale of forest products from the state forests. Under existing law, operation of the state forests is funded from FRIF, via a transfer from FRIF to the General Fund to reimburse state forest operating costs. The use of FRIF monies to acquire lands that serve state forest purposes and which may be the source of future receipts to FRIF is a logical extension of the underlying principle (state forests should be self-supporting enterprises) involved in reimbursing the General Fund for state forest support costs.

Accordingly, we recommend that the Legislature enact legislation authorizing the use of FRIF monies for the acquisition of lands for state forests contingent on appropriations for that purpose in the annual Budget Bill.

#### **Mountain Home State Forest—Miller Parcel.**

*We recommend deletion of \$165,000 requested in Item 3540-301-928(2) for the Miller parcel acquisition at Mountain Home State Forest and addition of the same amount for that acquisition from the Special Account for Capital Outlay Item 3540-301-036(4). We further recommend adoption of Budget Bill language in Item 3540-301-036 making this appropriation a loan from SAFCO to be repaid from FRIF upon enactment of legislation which authorizes the use of FRIF for state forest acquisitions.*

**DEPARTMENT OF FORESTRY AND FIRE PROTECTION—  
CAPITAL OUTLAY—Continued**

The department requests \$165,000 from FRIF under Item 3540-301-928(2) to acquire a 21-acre private in-holding in the Mountain Home State Forest (Tulare County) known as the Miller parcel. The acquisition is needed to (1) prevent development of the land which would be incompatible with management of the surrounding state forest and (2) protect a small, but ecologically significant, grove of giant sequoias. Since existing law does not authorize use of FRIF monies for the acquisition of lands for state forests, we recommend deletion of the \$165,000 requested for this acquisition in Item 3540-301-928(2) and instead that the acquisition be financed in Item 3540-301-036 as a loan from the Special Account for Capital Outlay.

To accomplish this, we recommend the following Budget Bill language under Item 3540-301-036:

1. Any amounts encumbered under category (4) of this item of appropriation for acquisition of the Miller parcel for the Mountain Home State Forest shall be regarded as a loan from the Special Account for Capital Outlay to the Forest Resources Improvement Fund, to be repaid, with interest calculated from the date(s) of encumbrance at the rate earned by the Pooled Money Investment Account, upon the effective date of legislation authorizing use of the Forest Resources Improvement Fund for the purpose of acquiring lands for the state forest system.

The department's management plan for Mountain Home State Forest calls for preserving giant sequoia trees exceeding 16 feet in diameter and logging smaller trees. In order to assure the preservation of the giant sequoia trees on the proposed property for acquisition, the Legislature may wish to include Budget Bill language to that effect.

**Boggs Mountain/Mountain Home State Forests—Acquisitions**

*We recommend the deletion of \$461,000 requested under Item 3540-301-928 for two state forest acquisitions.*

The balance of monies requested by the department for capital outlay from FRIF are for the following acquisitions:

- \$98,000 in Item 3540-301-928(1) for a 40-acre parcel adjacent to Boggs Mountain State Forest in Lake County, and
- \$363,000 in Item 3540-301-928(3) for a 40-acre in-holding at Mountain Home State Forest presently owned by the State Lands Commission.

Current ownership for the parcels proposed for acquisition does not appear to present significant or urgent problems for management of the state forests. There should be no danger of incompatible development on the parcel owned by the State Lands Commission. Until (1) the Legislature enacts legislation authorizing the use of FRIF monies for state forest acquisitions and (2) the department substantiates the need for this acquisition, the department can enter into an agreement with the State Lands Commission providing for management of the parcel by the department. The department already has similar agreements with the commission for other commission lands located in state forests.

The Boggs Mountain parcel borders the state forest and is not an in-holding. The department has not substantiated how private ownership

of this parcel presents any more of a problem for forest management than private ownership of other parcels on the boundary of Boggs Mountain. Moreover, since this proposal constitutes an *expansion* of the state forest, rather than consolidation of in-holdings, the Legislature may wish to consider the proposal in the context of the larger policy question of whether existing state forests should be enlarged.

In view of the above, we recommend the deletion of \$461,000 requested in Item 3540-301-928 for these acquisitions.

#### **Reappropriation—Lonoak Helitack Base, Monterey County**

*We withhold recommendation on Item 3540-490 pending clarification of (1) the need for a new location for the proposed helitack base, (2) the authority for this change, (3) implications for future construction costs and (4) the status of site acquisition efforts and prospects for resolution of acquisition problems.*

The 1986 Budget Act appropriated \$75,000 from the General Fund for preliminary plans and working drawings for the Lonoak helitack base—a new base in southern Monterey County for helicopter fire fighting operations. For the second consecutive year the budget requests reappropriation of these funds. The department has not submitted any written justification for this proposal to the Legislature.

It is our understanding that work on preliminary plans and working drawings has been suspended during 1986-87 and 1987-88 pending the resolution of problems experienced by the department in acquiring or leasing a site for the helitack base. At the time this analysis was written, however, it was not clear what the precise problems in securing a site are or how and when they will be resolved. Thus, it is not clear when work on preliminary plans and working drawings can realistically proceed.

It is also our understanding that the department intends to use the reappropriation to design a helitack base for a site in *San Benito County instead of the site approved by the Legislature in Monterey County*. At the time this analysis was written, it was not clear what authority, if any, the department would have for this change in location.

We withhold recommendation on the reappropriation in Item 3540-490 pending review of information clarifying (1) the need for a change in the location of the base, (2) the authority for this change, (3) the implications for future construction costs, and (4) the status of site acquisition efforts and prospects for resolution of acquisition problems.

#### **Supplemental Report Language**

For purposes of project definition and control, we recommend that the fiscal subcommittees adopt supplemental report language which defines the scope and cost elements of each of the projects approved under the above items.

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**Resources Agency**  
**STATE LANDS COMMISSION**

Item 3560 from the General  
Fund and other funds

Budget p. R 76

Requested 1988-89 .....	\$16,290,000
Estimated 1987-88 .....	14,957,000
Actual 1986-87 .....	16,046,000
Requested increase (excluding amount for salary increases) \$1,330,000 (+8.9 percent)	
Total recommended reduction .....	None

**1988-89 FUNDING BY ITEM AND SOURCE**

Item—Description	Fund	Amount
3560-001-001—Support	General	\$14,328,000
3560-001-140—Support	Environmental License Plate	250,000
3560-001-890—Support	Federal Trust	100,000
Reimbursements	—	1,612,000
Total		\$16,290,000

**SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS**

*Analysis  
page*

1. ARCO Litigation. Recommend the Attorney General and the commission's counsel report at hearings on the state's prospects in the ARCO litigation. 349
2. Offshore Oil Study. Recommend the commission report at hearings on the specific goals of its proposed offshore oil study and the relationship of the study to the state's ARCO case defense. 350

**GENERAL PROGRAM STATEMENT**

The State Lands Commission is composed of the State Controller, the Lieutenant Governor, and the Director of Finance. It is responsible for the management of sovereign and statutory lands which the state has received from the federal government. These lands total more than four million acres and include tide and submerged lands, swamp and overflow lands, the beds of navigable waterways, and vacant state school lands. The commission:

- Leases land under its control for the extraction of oil, gas, geothermal, and mineral resources.
- Exercises economic control over the oil and gas development of the tidelands granted to the City of Long Beach.
- Determines boundaries and ownership of tide and submerged lands.
- Oversees other land management operations, including appraisals, surface leases, and timber operations; and maintains records concerning state lands.
- 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 241 personnel-years in the current year.

### OVERVIEW OF THE BUDGET REQUEST

The budget proposes expenditures of \$16.3 million for support of the State Lands Commission in 1988-89. This is an increase of \$1.3 million, or 9 percent, over estimated current-year expenditures. The increase is due almost entirely to three budget change proposals (discussed below).

The proposed General Fund appropriation of \$14.3 million will not have any *net* effect on the General Fund. This is because, under existing law and provisions in the Budget Bill, the entire General Fund amount appropriated to the commission will be offset by the transfer to the General Fund of tidelands oil revenues (\$12.3 million) and state school lands revenue (\$2 million). The commission's cost, therefore, actually is at the expense of the Special Account for Capital Outlay and the State Teachers' Retirement Fund, which otherwise would receive these revenues. The transfer from tidelands oil revenues covers the cost of overseeing oil and gas operations on state lands and the commission's general activities. The transfer from school lands revenues covers the cost of managing those properties.

Table 1 summarizes expenditures and sources of funds for the State Lands Commission from 1986-87 through 1988-89. The table shows that the budget does not propose any change in the commission's staff.

**Table 1**  
**State Lands Commission**  
**Budget Summary**  
**1986-87 Through 1988-89**  
**(dollars in thousands)**

	Personnel-Years			Expenditures			Percent Change From 1987-88
	Actual 1986-87	Est. 1987-88	Prop. 1988-89	Actual 1986-87	Est. 1987-88	Prop. 1988-89	
<b>Program:</b>							
Extractive development							
State leases .....	63.5	65.5	65.5	\$5,762	\$5,340	\$5,326	-0.3%
Long Beach operations .....	37.9	39.1	39.1	3,516	3,119	3,563	14.2
Land management and conserva- tion .....	86.2	88.9	88.9	6,768	6,498	7,401	13.9
Administration (distributed) .....	46.4	47.8	47.8	(2,916)	(2,947)	(3,024)	2.6
Totals .....	234.0	241.3	241.3	\$16,046	\$14,957	\$16,290	8.9%
<b>Funding Sources</b>							
General Fund .....				\$14,096	\$13,864	\$14,328	3.3%
Environmental License Plate Fund .....				—	—	250	— <sup>a</sup>
Federal Trust Fund .....				—	148	100	-32.4
Reimbursements .....				1,950	945	1,612	70.6

<sup>a</sup> Not a meaningful figure

Table 2 summarizes the commission's proposed budget changes for 1988-89, by funding source.

**STATE LANDS COMMISSION—Continued**

**Table 2**  
**State Lands Commission**  
**Proposed 1988-89 Budget Changes**  
**(dollars in thousands)**

	<i>General Fund</i>	<i>Other</i>	<i>Totals</i>
1987-88 Expenditures (Revised) .....	\$13,864	\$1,093	\$14,957
Proposed Changes:			
<i>Workload and administrative adjustments</i>			
Deletion of one-time projects .....	—	—\$98	—\$98
Employee compensation .....	\$261	9	270
Price increase .....	52	9	61
Other .....	41	—	41
Subtotals, workload and administrative adjustments .....	(\$354)	(\$—80)	(\$274)
<i>Budget Change Proposals</i>			
Increase Department of Justice contract for antitrust litigation .....	—	\$376	\$376
Enforcement rental contracts .....	\$55	—	55
School lands appraisal .....	—	278	276
San Joaquin River study .....	30	—	30
Bolsa Chica ocean entrance study .....	—	250	250
Washington D.C. consultant contract .....	25	45	70
Subtotals, budget change proposals .....	(\$110)	(\$949)	(\$1,059)
1988-89 Expenditures (Proposed) .....	\$14,328	\$1,962	\$16,290
Change from 1987-88:			
Amount .....	\$464	\$869	\$1,333
Percent .....	3.3%	79.5%	8.9%

**ANALYSIS AND RECOMMENDATIONS****Tidelands Oil Revenues**

The commission generates significant state revenue from the development and extraction of oil, gas, geothermal energy, and other minerals on state lands. Most of this revenue is from oil production on state tide and submerged lands along the coast of southern California.

**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 produce 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 the oil production there.

**Royalty Production.** In addition, the state has leased tidelands for oil production at Huntington Beach and along the Ventura and Santa Barbara coast. On these statewide leases, the lessees pay a royalty to the state, based on the value of the oil produced.

**Revenue Estimate for 1988-89.** The budget estimates that the state will receive \$250 million in tidelands oil and gas revenue in the current year and \$195 million in 1988-89. The commission indicates that these estimates are based on the price of oil in August 1987, \$15.75 per barrel at Long Beach and \$12.50 per barrel at Santa Barbara, respectively. Since

August, however, there has been a decline in oil prices. As of January 30, 1988, oil prices were \$11.40 per barrel at Long Beach and \$8.00 per barrel at Santa Barbara. If these current oil prices continue through 1988-89, then estimated tidelands oil revenue would be reduced to roughly \$200 million in the current year and \$115 million in the budget year. These estimates represent a total reduction of \$130 million over the two-year period, compared with estimates in the Governor's budget. Of course, oil prices in today's market are difficult to predict. The State Lands Commission indicates that it will update its tidelands oil revenue estimates prior to budget hearings.

We discuss the allocation of tidelands oil and gas revenues in our analysis of Control Section 11.50 of the Budget Bill.

### **School Lands Revenues**

The commission estimates that it will receive about \$5.9 million in geothermal revenues and land rentals in 1988-89 from "state school lands"—lands that were granted by the federal government to the state in 1853 to help support public education. Essentially all revenues from school lands, net the commission's cost to manage the lands, are deposited into the State Teachers' Retirement Fund (STRF). The budget for 1988-89 proposes to deposit \$2.1 million of this revenue in the General Fund to cover the commission's cost of managing the state school lands. The remaining \$3.8 million will be deposited in the STRF.

### **ARCO Brings \$793 Million Lawsuit Against The State**

*We recommend that the Attorney General and the commission's counsel report at hearings on the state's prospects in the ARCO litigation.*

On September 30, 1987, the Atlantic Richfield Company (ARCO) filed a \$793 million lawsuit against the state. The lawsuit seeks to have the court require the State Lands Commission to approve development of five ARCO-owned oil and gas leases on state tidelands located off the Santa Barbara coast at Coal Oil Point (near the University of California's Santa Barbara campus and the community of Isla Vista). Alternatively, ARCO's claim alleges damages of \$793 million, the amount ARCO estimates to be the present worth of its leasehold interests, if the development is permanently blocked. The suit also claims damages of \$2.7 million, increasing at the rate of roughly \$55,000 per day, resulting from delay in the development of the five leases.

**Background.** ARCO's proposed development plan for the five leases included the construction of three drilling platforms, pipelines to the shore, and onshore oil and gas processing facilities. The five leases were originally issued in the 1940s and 1960s. In 1975, the commission approved exploratory drilling on the leases, and ARCO confirmed a major new discovery in 1982. In 1981, ARCO entered into an agreement with Santa Barbara County and the commission under which ARCO installed seafloor structures to prevent air pollution from natural oil seeps in order to receive the "emission reduction credits" necessary to develop its anticipated oil discovery.

Studies have estimated that between 200 million to 300 million barrels of oil and 200 billion to 500 billion cubic feet of natural gas can be recovered from these five leases. The environmental impact report for ARCO's development project estimates that state royalties from these



**STATE LANDS COMMISSION—Continued**

leases would be about \$150 million per year at peak production, with the price of oil at \$10 per barrel.

**Commission Denial.** On May 27, 1987, the State Lands Commission denied ARCO's development plan for the five leases. Prior to rendering its decision, the commission held several public hearings on the project and also reviewed an extensive environmental impact report. The commission's denial was based primarily on three findings: (1) the "aesthetic degradation" of the area near the leases due to oil development (2) the threat posed by a major oil spill, and (3) the protection of unique marine habitat for environmental, commercial fishing, and scientific purposes.

The commission's denial, however, was not unequivocal. It invited ARCO to submit another plan using alternative development techniques such as "development from alternative sites," that would correct for the adverse environmental impacts the commission raised in its denial. In addition, the commission directed its staff to develop a feasibility plan, within six months, for a comprehensive study of the overall environmental effects of oil and gas development in *all* federal and state waters off the California coast.

**State's Prospects in the ARCO Litigation.** The pending ARCO lawsuit raises complex legal issues and represents a potentially major state fiscal liability (in addition to the foregone state revenue if the leases remain undeveloped).

The ARCO case centers around ARCO's contention that, under the lease agreements, the SLC must allow it to produce the oil and gas it has found in a technically and economically feasible manner. If the commission does not allow development, then this denial constitutes a taking of ARCO's leasehold interests which would require the State to pay damages. Because of the major fiscal and policy issues raised by the commission's decision and the ARCO lawsuit, the appropriate committees of the Legislature should be kept informed of the state's prospects in the suit, the potential for a settlement, the probable length of time required for litigation and the Legislature's options for resolving the dispute. Accordingly, we recommend that the Attorney General and the commission's counsel report at hearings on the state's prospects in the ARCO case and the Legislature's options. Because of the nature of the information in the report, the committee may wish to receive testimony in executive session.

**Goals of Potential Offshore Oil Study Should Be Clarified**

*We recommend that the State Lands Commission report on the specific goals of the study cited in the commission's denial of the ARCO development plan and how the study relates to the state's legal defense in the ARCO suit.*

Concurrent with its denial of ARCO's development plan, the SLC directed its staff to undertake a comprehensive study of the overall environmental effects of oil and gas development in federal and state waters off the California coast. As described earlier, the study's purpose would be to identify approaches for minimizing adverse environmental, economic, and social impacts of further offshore oil development. In the

current year, the commission has redirected some of its staff to formulate the study. The budget, however, does not provide any funding to carry out the study in 1988-89.

The commission's findings in the ARCO decision were primarily site-specific. The study, as proposed, is a much broader overview of the environmental impacts of offshore oil drilling along the entire California coast. Consequently, it is difficult to see how the study would help to resolve such site specific issues as the "aesthetic degradation" finding of the commission in its ARCO denial. Consequently, we recommend that the State Lands Commission report at hearings on the specific goals of the study cited in its decision to deny ARCO's development plan and how these goals relate to the state's legal defense in the ARCO lawsuit.

### STATE LANDS COMMISSION—CAPITAL OUTLAY

Item 3560-301 from the General  
Fund, Special Account for  
Capital Outlay

Budget p. R 82

Requested 1988-89.....	\$684,000
Recommended approval.....	563,000
Recommendation pending.....	121,000

### SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

*Analysis  
page*

1. Santa Barbara field office. Withhold recommendation on \$121,000 requested for a modular building for the Santa Barbara field office pending outcome of State Lands Commission negotiations with University of California for use of an existing building.

352

### ANALYSIS AND RECOMMENDATIONS

#### Statewide Hazard Removal Program

##### *We recommend approval.*

The budget includes \$563,000 in Item 3560-301-036(1) to remove abandoned structures located on state tidelands. These structures constitute hazards to the public and potential liabilities to the state. In October 1986, the State Lands Commission submitted a coastal hazards inventory to the Legislature which identified 403 hazards and an estimated cost of \$15 million for removing the hazards. The Legislature appropriated \$314,000 in the 1987 Budget Act for removal of six hazards evaluated by the commission as extreme risks.

The 1988-89 request would remove two of the three remaining extreme hazards: (1) three sheet-pile groins on the coast east of Santa Barbara and (2) six abandoned oil-drilling piers near the University of California, Santa Barbara campus. The budget does not request funds for removal of the third remaining extreme hazard, located at Las Tunas Beach in Los Angeles County, because of pending litigation regarding financial responsibility for removing that hazard. The commission's plan is to request

**STATE LANDS COMMISSION—CAPITAL OUTLAY—Continued**

funds to address hazards judged to constitute moderate risks in 1989-90 and 1990-91, and to address low risk hazards over a five-year period beginning in 1991-92.

The projects and amounts proposed for 1988-89 appear to be justified.

**Santa Barbara Field Office**

*We withhold recommendation on \$121,000 requested in Item 3560-301-036(2) for purchase of a modular building for the Santa Barbara field office pending the outcome of the commission's negotiations with the University of California for use of an existing building.*

The budget proposes \$121,000 as a minor capital outlay project for the purchase and installation of a modular building to house the commission's Santa Barbara field office. The modular building would be installed on a site that would be leased for a nominal fee from the University of California, Santa Barbara. The commission leased office space in the Santa Barbara area from the Atlantic Richfield Company (ARCO) until January 1, 1988, when ARCO terminated the lease. The commission now is leasing another facility in Santa Barbara on a temporary basis.

At the time this analysis was written, the commission had not provided the Legislature with a full cost estimate for the building installation work proposed in the budget. Moreover, according to the commission, there is a high probability that this minor capital outlay request will be withdrawn. The commission is currently holding discussions with the university regarding the possibility of using an existing building on the Santa Barbara campus. Use of that building would require minor modifications at a cost substantially less than the amount proposed in the budget. Pending the outcome of these discussions, and receipt of a complete cost estimate for the modular building, we withhold recommendation on \$121,000 requested under Item 3560-301-036(2).

**Supplemental Report Language**

For purposes of project definition and control, we recommend that the fiscal subcommittees adopt supplemental report language which defines the scope and cost elements of each of the projects approved under this item.

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**Resources Agency**  
**SEISMIC SAFETY COMMISSION**

Item 3580 from the General  
Fund

Budget p. R 83

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Requested 1988-89 .....	\$943,000
Estimated 1987-88 .....	900,000
Actual 1986-87 .....	1,619,000
Requested increase (excluding amount for salary increases)	
\$43,000 (+4.8 percent)	
Recommendation pending .....	75,000

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**SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS**

*Analysis  
page*

- |  |            |
|--|------------|
| <p>1. Recommend that the commission report, prior to budget hearings, on (a) workload needs for implementing the earthquake hazard mitigation program established by Ch 250/86, (b) how the commission plans to meet those needs and (c) the relative priority of a <i>new</i> mitigation program proposed in budget. Withhold recommendation on one position and \$75,000 pending review of this information.</p> | <p>354</p> |
|--|------------|

**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 coordinating the administration of these programs throughout state government. The 17-member commission performs policy studies, reviews programs and conducts hearings on earthquake safety. The commission advises the Legislature and the Governor on legislative proposals, the state budget and grant proposals related to seismic safety.

The commission has nine personnel-years in the current year.

**ANALYSIS AND RECOMMENDATIONS**

The budget requests \$943,000 from the General Fund for support of the Seismic Safety Commission in 1988-89. This amount is \$43,000, or 4.8 percent, more than estimated current year expenditures. The budget proposes 12 personnel-years in the budget year.

Table 1 shows the changes in the commission's budget.

**SEISMIC SAFETY COMMISSION—Continued**

**Table 1**  
**Seismic Safety Commission**  
**1988-89 Budget Changes**  
**(dollars in thousands)**

	<i>General Fund</i>	<i>Natural Disaster Assistance Fund</i>	<i>Total</i>
1987-88 (Est.) .....	\$800	\$100	\$900
Proposed Changes:			
1. Significant Program Changes			
a. Provide additional technical assistance to local agencies for mitigation of potentially hazardous buildings .....	75	—	75
b. Prepare a seismic research plan and monitor ongoing seismic research .....	67	—	67
c. Disseminate information to public regarding earthquake safety .....	72	—	72
d. Earthquake Emergency Investigation Account (Ch 1492/86) .....	—	-100	-100
e. Prior year balances available from hazardous building investigation program (Ch 250/86) and Earthquake Hazard Reduction Act (Ch 1491/85) .....	-86	—	-86
2. Workload and Administrative Adjustments			
a. Salary and benefit increases and miscellaneous adjustments .....	15	—	15
1988-89 Expenditures (Proposed) .....	\$943	—	\$943
Change From 1987-88			
Amount .....	\$143	-\$100	\$43
Percent .....	18%	-100%	4.8%

We recommend approval of the changes with the exception of the proposal for additional assistance to local agencies for mitigation of potentially hazardous building conditions.

**Mitigation of Potentially Hazardous Buildings**

*We recommend that, prior to budget hearings, the commission report to the fiscal subcommittees on (1) the existing workload involved in implementing the hazard mitigation program authorized by the Legislature in Ch 250/86, (2) how the commission plans to meet that workload need and (3) the relative priority of the new hazard mitigation program proposed in the budget. Pending our review of this information, we withhold recommendation on one position and \$75,000 requested under Item 3580-001-001 for technical assistance to local agencies for mitigation of hazardous building conditions.*

The budget requests \$75,000 from the General Fund for support of a new senior engineer position to provide technical assistance to local agencies interested in mitigating hazardous building conditions *other than* hazards inherent in unreinforced masonry construction. Chapter 250, Statutes of 1986 (SB 547), requires cities and counties to identify potentially hazardous buildings, establish mitigation programs, and report to the commission by January 1, 1990 on its findings and proposed programs. The legislation required the commission to prepare an advisory report for local agencies by September 1987 which would include criteria and procedures to guide the agencies in carrying out the intent

of the legislation. Finally, Chapter 250 requires the commission to report annually to the Legislature on the filing of mitigation programs by local jurisdictions.

Chapter 250 defines potentially hazardous buildings as those meeting the following two conditions: (1) structures constructed prior to the adoption of local building codes requiring earthquake resistant designs *and* (2) buildings of unreinforced masonry wall construction. The budget, by proposing a new position to advise local agencies on *other* potential earthquake hazards (such as under-reinforced concrete buildings and structures built on unstable soils), essentially is broadening the definition of hazards to be addressed by the commission in its contacts with local agencies. While this may be a desirable step, the budget proposal raises questions about the priority of these other potential hazards relative to the two conditions established in statute.

The Legislature, in enacting Ch 250/86, already has assigned priority to unreinforced masonry construction. The Legislature appropriated \$150,000 in Chapter 250 for necessary start-up costs and expressed its intent that ongoing state costs for the unreinforced masonry mitigation program be provided through the annual budget process. The Governor's 1987-88 Budget requested \$50,000 and *no* additional staff for implementation of Chapter 250. This level is continued in the budget year. Moreover, according to the commission's 1988-89 justification, the commission's existing staff is unable to carry out the workload associated with the program mandated by the Legislature in Chapter 250. This raises a question as to why the commission is requesting staff for a *new* program instead of requesting staff to carry out the program already mandated by law.

In view of the above, we recommend that, prior to budget hearings, the commission report to the fiscal subcommittees on (1) the workload needs associated with implementation of Ch 250/86, (2) how the commission plans to meet those needs and (3) the relative priority of the program proposed in the budget. Pending our review of this additional information, we withhold recommendation on \$75,000 requested in Item 3580-001-001 for a new earthquake hazard mitigation program.

### Resources Agency

#### DEPARTMENT OF FISH AND GAME

Item 3600 from the General  
Fund and various special  
funds

Budget p. R 85

Requested 1988-89.....	\$118,946,000
Estimated 1987-88 .....	107,729,000
Actual 1986-87 .....	103,244,000
Requested increase (excluding amount for salary increases) \$11,217,000 (+10.4 percent)	
Total recommended reduction.....	1,009,000
Total recommended increase .....	508,000
Recommended funding shift.....	1,520,000
Recommendation pending .....	113,000

# **DEPARTMENT OF FISH AND GAME—Continued** **1988-89 FUNDING BY ITEM AND SOURCE**

Item—Description	Fund	Amount
3600-001-001—Support, nongame species and environmental protection programs, maintenance and operation of ecological reserves and wildlife areas	General	\$8,867,000
3600-011-001—Transfer to the Fish and Game Preservation Fund for cost of free fishing licenses	General	(11,000)
3600-001-140—Support, nongame species and environmental protection programs, maintenance and operation of ecological reserves and wildlife areas	Environmental License Plate	12,448,000
3600-001-200—Support	Fish and Game Preservation	67,734,000
3600-011-200—Partial repayment of General Fund loan	Fish and Game Preservation	
—Interest expense		160,000
—Transfer of principal		(490,000)
3600-001-890—Support	Federal Trust	15,742,000
3600-001-940—Salmon restoration projects	Renewable Resources Investment	750,000
Ch 1325/87—Fisheries restoration	Fisheries Restoration Account, Fish and Game Preservation	3,000,000
Reimbursements	—	10,245,000
Total		\$118,946,000

## **SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS**

- |   |                          |
|---|--------------------------|
|   | <i>Analysis<br/>page</i> |
| 1. <i>Funding for Department Activities.</i> Recommend as follows:  | 360                      |
| a. <i>Reduce Item 3600-001-140 by \$925,000 and increase Item 3600-001-200 by the same amount.</i> Recommend fund shift to support the department's activities according to its cost allocation findings.                                       |                          |
| b. Adoption of supplemental report language directing the DFG to continue to audit employee time records to ensure accuracy of cost allocation data.  |                          |
| c. Adoption of supplemental report language directing the department to submit a report by November 1, 1988, which will ensure consistent application of the cost allocation methodology to all departmental programs.                          |                          |
| 2. <i>Loan Repayment. Add Item 3600-012-200 in the amount of \$1,750,000.</i> Recommend repayment of a General Fund loan made to the Fish and Game Preservation Fund by Chapter 170, Statutes of 1986.  | 363                      |
| 3. <i>Natural Diversity Data Base. Reduce Item 3600-001-140 by \$595,000 and increase Item 3600-001-890 by \$315,000 and reimbursements by \$280,000.</i> Recommend reduction because the costs of the data base should be shared by its users. | 363                      |
| 4. <i>Public Information Program. Reduce Item 3600-001-200 by \$475,000.</i> Recommend reduction because department has not established the need to expand its public information program.  | 364                      |
| 5. <i>Wildlife Research. Reduce Item 3600-001-140 by \$284,000.</i> Recommend reduction to comply with provisions of the 1987 Budget Act which require the department to seek alternative funding for the program.                              | 365                      |

6. Hatchery Personnel. Withhold recommendation on \$113,000 and 3.8 personnel-years requested from the Fish and Game Preservation Fund for increasing hatchery personnel, pending receipt and review of a hatchery evaluation study due April 1, 1988. 366
7. *Shellfish Monitoring. Augment Item 3600-001-200 by \$508,000.* Recommend augmentation to correspond to a funding shift recommended in Item 4260-001-001. 366
8. *One-time Costs. Reduce Item 3600-001-200 by \$250,000.* Recommend reduction because funds appropriated for research on the effects of seismic testing on fish populations in 1987-88 are not needed again in 1988-89. 367

### GENERAL PROGRAM STATEMENT

The Department of Fish and Game (DFG) 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 sport 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 currently manages approximately 160 ecological reserves, wildlife management areas, habitat conservation areas, and interior and coastal wetlands throughout the state.

The department has 1,518 personnel-years in the current year.

### OVERVIEW OF THE BUDGET REQUEST

The budget proposes total expenditures of \$118.9 million from all sources for support of DFG in 1988-89. This is an increase of \$11.2 million,

Table 1  
Department of Fish and Game  
Budget Summary  
1986-87 through 1988-89  
(dollars in thousands)

Program	Personnel-Years			Expenditures			Percent Change From 1987-88
	Actual 1986-87	Est. 1987-88	Prop. 1988-89	Actual 1986-87	Est. 1987-88	Prop. 1988-89	
Enforcement .....	353.6	360.3	368.8	\$23,906	\$24,983	\$26,141	4.6%
Licensing .....	55.1	44.0	44.0	2,840	2,327	3,029	30.2
Wildlife management .....	185.0	182.4	185.4	16,482	17,682	19,008	7.5
Nongame heritage .....	43.1	43.8	41.6	6,680	7,860	8,892	13.1
Inland fisheries .....	250.6	249.5	257.3	17,587	19,253	19,721	2.4
Anadromous fisheries .....	198.4	197.6	224.3	19,806	17,614	23,728	34.7
Marine resources .....	115.4	110.3	112.7	7,171	8,165	8,327	2.0
Environmental services .....	82.1	77.1	77.1	8,772	9,845	10,100	2.6
Administration (costs distributed to other programs) .....	243.0	252.7	256.9	(15,462)	(16,399)	(18,799)	14.6
Totals .....	1,526.3	1,517.7	1,568.1	\$103,244	\$107,729	\$118,946	10.4%



**DEPARTMENT OF FISH AND GAME—Continued**

## Funding Sources

<i>Fish and Game Preservation Fund (FGPF)</i> .....	\$54,097	\$63,170	\$67,883	7.5%
<i>Fisheries Restoration Account, FGPF</i> .....	4,457	822	3,000	265.0
<i>General Fund</i> .....	9,675	8,941	8,878	-0.7
<i>Environmental License Plate Fund</i> .....	10,196	11,973	12,448	4.0
<i>Renewable Resources Investment Program Fund</i> .....	862	737	750	1.8
<i>Federal funds</i> .....	16,522	14,543	15,742	8.2
<i>Federal offshore oil revenues<sup>a</sup></i> .....	(2,500)	—	—	—
<i>Reimbursements</i> .....	7,435	7,543	10,245	35.8

<sup>a</sup> Funds from the state's share of federal offshore oil revenues pursuant to Section 8(g) of the Outer Continental Shelf Lands Act.

or 10 percent, from estimated current-year expenditures. The department's proposed expenditure plan would be financed by \$90 million from state funds requested in the Budget Bill, \$10.2 million in reimbursements, \$15.7 million in federal funds, and \$3 million appropriated in Ch 1325/87 for fisheries resources restoration.

Table 1 shows the department's expenditures and staffing levels by program, and its funding sources for the past, current, and budget years.

**Proposed Budget Changes for 1988-89**

Table 2 summarizes, by funding source, the changes proposed in the department's budget for 1988-89. As shown in Table 2, the proposed \$11.2 million net increase in expenditures results primarily from the following:

- An increase of \$3.6 million in reimbursements from the Department of Water Resources and federal funds from the U.S. Bureau of Reclamation for mitigation activities and facilities to reduce fisheries losses resulting from water development projects.
- An increase of \$2.2 million in expenditures for fisheries restoration projects from funds appropriated by Ch 1325/87.
- Various other program changes totaling approximately \$5.6 million.

**Table 2**  
**Department of Fish and Game**  
**Proposed Budget Changes**  
**1988-89**

(dollars in thousands)

	<i>Fish &amp; Game Preser- vation Fund</i>	<i>General Fund</i>	<i>Environ- mental License Plate Fund</i>	<i>Other State Funds<sup>a</sup></i>	<i>Federal Funds</i>	<i>Reimburse- ments</i>	<i>Totals</i>
1987-88 Expenditures (Revised)....	\$63,170	\$8,941	\$11,973	\$1,559	\$14,543	\$7,543	\$107,729
<i>Baseline and administrative adjustments:</i>							
Delete one-time cost .....	-779	-77	-925	—	—	—	-1,781
Full-year costs of 1987-88 salary and benefit increases .....	618	95	110	7	246	50	1,126
Operating expense adjustment ..	487	182	162	6	114	61	1,012
Fisheries restoration (Ch 1325/87) .....	—	—	—	2,178	—	—	2,178
Miscellaneous adjustments .....	-530	—	-263	—	334	-35	-494
Subtotals, Baseline adjustments	(-\$204)	(\$200)	(-\$916)	(\$2,191)	(\$694)	(\$76)	(\$2,041)

*Program changes*

Mitigation programs for water development projects.....	—	—	—	—	\$945	\$2,641	\$3,586
Expand public information program.....	\$475	—	—	—	—	—	475
Expand tule elk, bighorn sheep, and mountain lion management programs.....	475	—	—	—	—	—	475
Reduce white bass program.....	—	—\$390	—	—	—	—	—390
Special repairs and equipment...	713	—	—	—	—	—	713
Automate Licensing and Revenue Branch.....	508	—	—	—	—	—	508
Fund shifts for wildlife programs and temporary help.....	658	—	—	—	—633	—25	—
Environmental and wildlife grants to public agencies.....	—	—	\$1,569	—	—	—	1,569
Staff and operate enforcement vessels.....	339	57	—	—	—	—	396
Increase operating expenses for Natural Diversity Data Base...	295	—	222	—	—	—	517
Expand special enforcement units.....	184	31	—	—	—	—	215
Augment in-lieu payments for wildlife areas.....	255	—	—	—	—	—	255
Increase hatchery personnel.....	113	—	—	—	—	—	113
Establish scientific assistant program.....	90	3	—	—	29	28	150
Reduce habitat improvement on ecological reserves and federal lands.....	—	—	—400	—	—	—	—400
Miscellaneous changes.....	812	36	—	—	164	—18	994
Subtotals, Program changes....	<u>(\$4,917)</u>	<u>(—\$263)</u>	<u>(\$1,391)</u>	<u>(—)</u>	<u>(\$505)</u>	<u>(\$2,626)</u>	<u>(\$9,176)</u>
1988-89 Expenditures (proposed) ..	\$67,883	\$8,878	\$12,448	\$3,750	\$15,742	\$10,245	\$118,946
Change from 1987-88:							
Amount.....	\$4,713	—\$63	\$475	\$2,191	\$1,199	\$2,702	\$11,217
Percent.....	7.5%	—0.7%	4.0%	140.5%	8.2%	35.8%	

\* Fisheries Restoration Account, Fish and Game Preservation Fund, and Renewable Resources Investment Program Fund

**ANALYSIS AND RECOMMENDATIONS**

We recommend approval of the following significant proposed changes shown in Table 2, which are not discussed elsewhere in this analysis:

- An increase of \$3.6 million from reimbursements and federal funds for environmental mitigation programs in the Klamath, Trinity, San Joaquin, and Sacramento Rivers, Suisun Marsh, and the Delta, related to water development projects.
- Increases totaling \$475,000 from the Fish and Game Preservation Fund (FGPF) to expand management programs for tule elk (\$250,000), mountain lions (\$100,000), and bighorn sheep (\$125,000).
- A reduction of \$390,000 from the General Fund because of a change in activities from eradication to monitoring in the white bass program.
- Increases of \$713,000 from the FGPF for special repairs and equipment.
- An increase of \$508,000 from the FGPF to automate the activities of the department's Licensing and Revenue Branch.

**DEPARTMENT OF FISH AND GAME—Continued**

- A shift of \$658,000 (\$633,000 from federal funds and \$25,000 from reimbursements) to the FGPF to reflect changes in the department's temporary help needs and funding of its wildlife areas.
- A total of \$1.6 million from the Environmental License Plate Fund (ELPF) for environmental and wildlife grants to nine local public agencies and nonprofit organizations.
- An increase of \$396,000 (\$339,000 from the FGPF and \$57,000 from the General Fund) to staff and operate new enforcement vessels.

**Who Should Pay for Department's Activities?**

*We recommend a reduction of \$925,000 from the Environmental License Plate Fund and a corresponding increase in the Fish and Game Preservation Fund to fund the DFG's activities according to its cost allocation findings. (Reduce Item 3600-001-140 by \$925,000 and increase Item 3600-001-200 by a corresponding amount.)*

*We further recommend that the Legislature adopt supplemental report language directing the department to continue to audit employee time records used as part of the cost allocation methodology.*

*We also recommend that the Legislature adopt supplemental report language requiring the department to submit a report which will provide the Legislature with the information necessary to revise the department's 1989-90 budget using in all cases the department's traditional funding policy.*

**Background.** The Fish and Game Code establishes a funding policy for the department under which activities that primarily benefit *game* species generally are paid from the FGPF, and activities that primarily benefit *nongame* species generally are financed from other sources such as the General Fund or Environmental License Plate Fund (ELPF). For the past several years, the department has requested additional funds from the General Fund and ELPF because it believed that its level of nongame activities exceeded its funding from nongame sources. Although the Legislature granted these requests, the Legislature has expressed concern over the last three years about the department's lack of a consistent and comprehensive cost allocation system and whether the department is properly implementing its funding policy.

In 1985, the Legislature directed the department and the Department of Finance to report on the allocation of costs within the DFG, and the basis for the existing funding arrangement. The report, which was submitted in January 1986, identified several serious fiscal and administrative problems at the DFG, which had resulted in DFG funding some of its activities inappropriately.

In order to address the problems and provide the Legislature with the information it requested, the department developed a new cost allocation methodology during 1986 and 1987. Using this methodology, employees report time spent in various activities (such as disease control) and the species that benefit (such as deer). The department then allocates costs based on the species that benefit from the activity. (There are some exceptions to this approach which we discuss later in this section.) The cost allocation methodology should enable the department to (1) determine the level of funding required from each source to support its current level of activities, and (2) ensure, thereafter, that its actual expenditures from each fund correspond to the budgeted levels. The cost

allocation methodology is a significant improvement over the department's earlier system for determining the department's actual expenditure by fund source.

**Results of Cost Allocation Methodology.** The department tested the cost allocation methodology to compare its actual expenditures by fund for 1986-87 with how costs should have been allocated based on the employee time reports. Table 3 provides a summary of the comparison.

**Table 3**  
**Department of Fish and Game**  
**Cost Allocation System**  
**Comparison of 1986-87 Expenditures and Activities**  
**(dollars in thousands)**

<i>Funding Sources</i>	<i>Spending Allocation Based On Time Reports</i>	<i>Actual Expenditures</i>	<i>Difference (actual minus allocation based on time reports)</i>
Fish and Game Preservation Fund (FGPF) .....	\$55,022	\$54,097	-\$925
Fisheries Restoration Account, FGPF .....	4,457	4,457	—
General Fund .....	11,043	9,675	-1,368
Environmental License Plate Fund .....	8,080	10,196	2,116
Renewable Resources Investment Program Fund .....	685	862	177
Federal funds .....	16,522	16,522	—
Reimbursements .....	7,435	7,435	—
Totals .....	\$103,244	\$103,244	—

As shown in Table 3, in four cases, fund expenditures did not match the level of related activities appropriately paid from the fund. Specifically, the ELPF and the Renewable Resources Investment Fund (RRIF) paid for some activities which should have been funded from either the General Fund or the FGPF (the appropriate source depends on the specific activity).

The misallocation between the ELPF and the General Fund is not nearly as important as the misallocation between the nongame sources and the FGPF. This is because the General Fund and ELPF can both be used for nongame activities, and therefore are essentially interchangeable for funding the department's programs. In contrast, however, the use of nongame monies (such as ELPF) to fund activities that should be funded from the FGPF is in direct conflict with the department's traditional game/nongame funding policy.

Given that the ELPF and General Fund are essentially interchangeable funding sources for nongame activities, the main conclusion from the test is that in 1986-87 the department inappropriately spent \$925,000 from the ELPF on activities that the FGPF should have funded.

**Issue 1: Funding Shift Needed to Appropriately Fund DFG's Activities.** During hearings on the 1986 and 1987 Budget Bills, the department assured the Legislature that it would propose changes for 1988-89 so as to fund its programs based on the results of the cost allocation methodology. Despite this assurance, the department's 1988-89 funding request continues to be based on past actual expenditures by fund, rather than on the results of its cost allocation methodology. Moreover, the department does not appear to be proposing any program changes to shift \$925,000 of its game-related activities to nongame-related activities that the ELPF can appropriately fund.

**DEPARTMENT OF FISH AND GAME—Continued**

Our review indicates that the cost allocation methodology represents the best information available at this time and is sufficiently well developed to justify a revision to the department's budget in 1988-89. Accordingly, we recommend a reduction of \$925,000 from the ELPF and a corresponding increase from the FGPF to fund the department's activities based on the results of the department's own cost allocation findings.

**Issue 2: Additional Audits of Employee Records Needed.** The accuracy of the cost allocation system depends largely on the accuracy of employee time records. The department has conducted one audit of employee's time records to determine their accuracy. The audit showed that the information from employee time records was coded inaccurately about 23 percent of the time. However, according to the department, only 3.5 percent of the inaccuracies were fiscally significant. Consequently, the model results for 1986-87 still appear fairly accurate overall. Nevertheless, the error rate may increase without the feedback provided by periodic audits. The department, however, has not conducted a second audit, and appears to have assigned further work in this area a low priority.

Continued confidence in the employee time records is critical in determining whether the department's funding scheme is consistent with its activities. Accordingly, we recommend the adoption of the following supplemental report language requiring the department to continue to audit its employee time reports:

The Department of Fish and Game shall audit, at least twice a year, a sample of its employee's time sheets in order to evaluate the accuracy of information used in the cost allocation system. The department shall report its findings to the fiscal committees at the conclusion of each audit.

**Issue 3: Cost Allocation Methodology Should Be Applied Consistently Based on Employee Time Records.** Our review indicates that there were several programs where the cost allocation methodology used a predetermined funding formula rather than its more precise approach based on the specific species that benefit from each activity. (For example, the cost allocation model funds the ongoing costs of salmon and steelhead habitat enhancement activities (which benefit *game* species) from the ELPF and RRIF (which are *nongame* funding sources).)

The department indicates that it used this formula approach in cases where (1) prior legislative decisions have departed from the traditional funding policy, or (2) simplification was necessary.

While the Legislature has departed in the past from the traditional game/nongame funding policy in certain cases, the Legislature more recently has directed the department to review its funding arrangement in accordance with the traditional game/nongame funding policy.

Given that the department now collects time reports on all its activities and the species which benefit, it has the capability to determine how *all* of its activities should be funded based on its traditional game/nongame funding policy, rather than using predetermined formulas. In order to ensure proper funding allocations in 1989-90, we recommend that the Legislature adopt the following supplemental report language:

It is the intent of the Legislature that the department apply its cost allocation methodology consistently based on employee time records, rather than using predetermined formulas to determine costs. In order to ensure proper funding allocations in 1989-90, the department shall identify (1) all activities where its cost allocation methodology currently uses a predetermined formula, (2) the formula currently used and the costs actually charged to each fund for each activity in 1987-88, and (3) the way the activity should be funded based on the identification of species that benefit from the activity in employee time records. The department shall submit this information to the Legislature by November 1, 1988.

#### **Loan Repayment Due**

*We recommend the addition of a new item to the Budget Bill appropriating \$1,750,000 from the Fish and Game Preservation Fund to repay an outstanding General Fund loan. (Add Item 3600-012-200 in the amount of \$1,750,000.)*

Chapter 170, Statutes of 1986, (the Omnibus Deficiency Bill of 1986), provided a loan of \$1,455,000 from the General Fund to the FGPF in 1985-86 to cover the costs of overtime payments required by the federal Fair Labor Standards Act (FLSA). In making the loan, the Legislature adopted language requiring the department to repay the General Fund from the FGPF, with interest calculated at the rate received by the Pooled Money Investment Account (PMIA). The budget does not provide for any repayment of this loan.

**No Need to Delay Repayment.** While the Legislature did not specify when the department must repay the loan, we see no reason to delay the repayment. Based on the Governor's Budget, the FGPF can afford to repay the loan in the budget year. Further, repayment of the loan in 1988-89 will make available General Fund monies which can be used by the Legislature to achieve its priorities.

In order to repay the loan principal and interest in 1988-89, we estimate that the 1988 Budget Bill should appropriate approximately \$1,750,000 from the FGPF for transfer to the General Fund (the exact amount will depend on the precise PMIA interest rate). This would leave a reserve of approximately \$5.4 million available for general purposes in the FGPF. This amount is equal to 9.2 percent of proposed general-purpose expenditures from the FGPF, and represents an adequate reserve for contingencies and employee compensation increases for the budget year.

Accordingly, to provide for the loan repayment, we recommend the addition of the following item to the Budget Bill:

3600-012-200—For transfer by the State Controller from the Fish and Game Preservation Fund to the General Fund, an amount sufficient to pay principal and interest of the loan provided in Section 1(a) of Chapter 170, Statutes of 1986..... (\$1,750,000)

#### **Natural Diversity Data Base Users Undercharged**

*We recommend a reduction of \$595,000 from the Environmental License Plate Fund, and a corresponding increase in reimbursements and federal funds for the operation and maintenance of the Natural Diversity Data Base because the costs of the data base should be shared by its users. (Reduce Item 3600-001-140 by \$595,000 and increase Item 3600-001-890 by \$315,000 and reimbursements by \$280,000.)*

**DEPARTMENT OF FISH AND GAME—Continued**

The budget requests a total of \$1,396,000 to operate and maintain the Natural Diversity Data Base. This amount consists of \$944,000 from the Environmental License Plate Fund (ELPF), \$295,000 from state tax checkoff funds for rare and endangered species in the Fish and Game Preservation Fund, \$83,000 in federal funds, and \$74,000 in reimbursements.

Current law requires the DFG to operate and maintain a computerized inventory of the locations of the state's rarest plant and animal resources. The inventory, called the Natural Diversity Data Base (NDDDB), consists of detailed information on the location, biology, and condition of rare plants and animals and on unique natural areas in the state. Departmental and contract staff are responsible for locating, identifying, and evaluating the plants and animals, putting this information into the NDDDB, and periodically updating the information. The information is used by almost 100 different state, federal, local, and private organizations for a wide range of activities, reports, and studies.

The Fish and Game Code requires the department to ensure cost-sharing by all who use the NDDDB, and to develop a fee structure to recover the actual costs of using the data management system. Under its current fee structure, the budget estimates that the department will receive a total of \$156,000 in 1988-89 from all other federal, state, local and private users of the data base. This is approximately 14 percent of the costs of operating and maintaining the NDDDB.

Our analysis indicates that the fees charged by the department to other organizations for use of the NDDDB are not sufficient to recover the users' share of the actual costs of operating and maintaining the data base. This is because the department has set the fees at a level to recover only the cost of retrieving information from the data base. However, the cost of "using" the system rightly includes the cost of maintaining and operating the data base.

According to information provided by the department on the use of the NDDDB in 1986-87, approximately 65 percent of the use of the NDDDB was by organizations other than the DFG. Accordingly, organizations other than DFG should pay 65 percent, or approximately \$751,000 of the costs of operating and maintaining the data base. (In our calculations we amortized over five years the costs of computer equipment proposed to be purchased in 1988-89). This amount is \$595,000 more than DFG has budgeted from outside sources. Consequently, state support of the data base should be reduced by \$595,000 with the amount instead being apportioned among the other users. To accomplish this funding shift, we recommend a reduction of \$595,000 from the ELPF, and an increase of \$315,000 in federal funds and \$280,000 in reimbursements.

**Public Information Program**

*We recommend deletion of \$475,000 from the Fish and Game Preservation Fund (FGPF) requested to expand a public information program because the department has not provided information to justify its request. (Reduce Item 3600-001-200 by \$475,000.)*

The budget requests a total of \$1.1 million from the FGPF (\$1 million) and reimbursements (\$100,000) for the department's public information program. This is an increase of \$475,000, or 43 percent, over estimated current-year expenditures of \$624,000 for this purpose. Currently, the

department provides the public with fishing and hunting regulations, access maps and information on where to fish and hunt, wildlife species identification guides, and newsletters.

The department indicates that in recent years it has found a high incidence of people fishing and hunting without a license, apparently due, in part, to "a lack of awareness of what the license fee monies are used for, and why a person should buy a license." In addition, the department indicates that it has received increasing numbers of complaints from fishermen and hunters regarding (1) the lack of places to fish and hunt, and (2) the lack of information on fishing and hunting regulations.

In an attempt to address these problems, the department proposes to expand its public information program in 1988-89. The department requests an additional \$362,000 to develop, print, and distribute 6 million brochures on fishing and hunting access, opportunities, and maps. These brochures would be available at the places where licenses are sold. The department also requests an additional \$113,000 to evaluate the effectiveness of the increased public information program by conducting several surveys.

Our review indicates that the department's proposal has the following problems:

- ***No Information on the Problems.*** The department has not provided any documentation of complaints from fishermen and hunters regarding the lack of information on hunting and fishing access or regulations. This information is critical in determining the magnitude and cause of any problem.
- ***No Information on How Program Will Address Problems.*** The department has not provided any information which (1) demonstrates that the high rate of illegal fishing and hunting is actually due to a lack of knowledge and could be addressed by the public information program, and (2) explains how the proposed program differs from its existing public information activities.
- ***Insufficient Justification for Proposed Activity Level.*** The department has not provided sufficient detail to justify the number of brochures it proposes to produce, the number of surveys it proposes to conduct, or the dollar amount requested.

Without this information, the Legislature has no basis to determine whether (1) the defined problems actually exist, (2) the expansion of the public information program would be effective in addressing the problems if they do exist, and (3) the amount requested is sufficient to address the problems. Accordingly, we recommend deletion of the \$475,000 requested from the FGPF to expand the DFG's public information program. Should the department submit a revised proposal that provides specific justification, we will examine it and advise the Legislature accordingly.

#### **Wildlife Research**

***We recommend a reduction of \$284,000 requested from the Environmental License Plate Fund (ELPF) for wildlife research in order to comply with provisions of the 1987 Budget Act. (Reduce Item 3600-001-140 by \$284,000.)***

The budget includes \$284,000 from the Environmental License Plate Fund (ELPF) for wildlife research. The department received the ELPF



**DEPARTMENT OF FISH AND GAME—Continued**

monies for nongame research in the 1987 Budget Act when it proposed to use \$284,000 from the ELPF to replace an anticipated decline in federal funds. However, during hearings on the proposal, the Legislature expressed concern over (1) the need to backfill for federal budget reductions, and (2) the appropriateness of using the ELPF for the proposed activities which included both game and nongame species.

As a result, although the Legislature approved the \$284,000 for the current year, it also adopted language in the 1987 Budget Act requiring that (1) the monies only be used for nongame research, and (2) the department seek funding for wildlife research from sources other than the ELPF in future budget requests. The department, however, is proposing to continue funding the research from the ELPF.

In order to comply with provisions of the 1987 Budget Act, we recommend a reduction of \$284,000 from the ELPF. If the department desires continued funding for these activities, it should identify alternative sources to pay for the work.

**Hatchery Personnel Increase Premature**

*We withhold recommendation on \$113,000 and 3.8 personnel-years requested from the Fish and Game Preservation Fund (FGPF) for increasing hatchery personnel, pending receipt and review of a hatchery evaluation study which is due on April 1, 1988.*

The budget proposes an increase of \$113,000 from the FGPF and 3.8 personnel-years to address increased workload at the department's fish hatcheries. In the past, the department has addressed increases in workload by requiring personnel to work overtime and providing compensatory time off (CTO) for the overtime worked. The department indicates, however, that it has experienced problems with staff morale and excessive CTO accumulation as a result of this policy.

In the 1987 Budget Bill, the Legislature took two actions to address workload problems at the hatcheries. First, the Legislature provided \$222,000 from the FGPF for the department to pay hatchery employees in cash, rather than CTO, for overtime worked.

Second, the Legislature adopted Budget Bill language requiring the department to contract with an independent third party to evaluate the cost-effectiveness of its hatcheries. The Legislature specifically directed that the study evaluate whether it is more cost-effective to (1) pay cash for overtime worked, (2) provide CTO for overtime, or (3) hire additional personnel, rather than requiring overtime. Our review of the specific workplan for this study indicates that the contractor also will conduct a workload analysis of each of the department's hatcheries. The study is due to the Legislature by April 1, 1988.

The hatchery evaluation study will provide the Legislature with the information it needs to determine the most cost-effective means of operating and staffing the hatcheries and whether any additional resources are needed. Accordingly, we withhold recommendation on \$113,000 and 3.8 personnel-years for hatchery operations, pending receipt and review of the hatchery evaluation study required by the 1987 Budget Act.

**Shellfish Monitoring**

*We recommend an increase of \$508,000 from the Fish and Game Preservation Fund in order to more appropriately fund shellfish monitoring activities (Increase Item 3600-001-200 by \$508,000).*

The Department of Health Services (Item 4260-001-001) requests a total of \$513,000 from the General Fund to (1) monitor shellfish for Paralytic Shellfish Poison (PSP) to prevent the sport-harvesting of shellfish during high levels of PSP and (2) certify water quality in areas where shellfish are harvested commercially.

In our analysis of the Department of Health Services' budget, we recommend a reduction of \$508,000 from the General Fund and a corresponding increase in reimbursements from the Department of Fish and Game, because these activities primarily benefit people who fish and commercial shellfish producers, and therefore should be paid from the FGPF. Accordingly, we recommend a corresponding increase of \$508,000 from the FGPF for DFG to contract with DHS for these activities.

**Funding for One-Time Cost Should be Eliminated**

*We recommend a technical reduction of \$250,000 from the Fish and Game Preservation Fund (FGPF) because the funds provided for research on the effects of seismic testing on fish populations in 1987-88 are not needed again in 1988-89. (Reduce Item 3600-001-200 by \$250,000.)*

The department received \$250,000 from the FGPF in the 1987 Budget Act for one-time research on the effects of seismic testing on fish populations, as authorized by Ch 1390/85. Accordingly, in constructing its budget for 1988-89, the department should have deleted these funds.

Our analysis indicates, however, that the department did not delete the funds from its budget-year request. Consequently, we recommend the deletion of the \$250,000 to correct for this oversight.

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**DEPARTMENT OF FISH AND GAME—CAPITAL OUTLAY**

Item 3600-301 from the Fish and  
Game Preservation Fund and  
the Federal Trust Fund

Budget p. R 109

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Requested 1988-89.....	\$3,217,000
Recommended approval.....	2,198,000
Recommended reduction.....	346,000
Recommendation pending.....	673,000

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**SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS**

- |   |                          |
|---|--------------------------|
|   | <i>Analysis<br/>page</i> |
| 1. <i>Minor Capital Outlay. Reduce Item 3600-301-200(1) by \$200,000. Recommend deletion of \$200,000 for a project on the Sacramento River that (a) is only a partial solution and is inappropriately budgeted under minor capital outlay and (b) should include nonstate funding.</i>           | 369                      |
| 2. <i>Land Acquisition, Development and Enhancement. Reduce Item 3600-301-200(9) by \$100,000. Recommend deletion of funds for acquisition, development and enhancement of endangered species habitat because project is not defined. Further recommend that the Legislature adopt supplemen-</i> | 370                      |

**DEPARTMENT OF FISH AND GAME—CAPITAL OUTLAY—Continued**

- tal report language directing the department to develop a plan for effective protection of endangered species habitat.
3. **Merced River Salmon Rearing Facility. Reduce Item 3600-301-200(4) by \$46,000.** Recommend deletion of \$46,000 requested in Item 3600-301-200(4)—as well as offsetting reimbursements in Item 3600-301-200(5)—for preliminary plans and working drawings for improvements to Merced River Salmon Rearing Facility because the department has not shown that support budget savings are adequate to justify the project. (Future savings: \$542,000.) 371
  4. **Mad River Hatchery.** Withhold recommendation on \$673,000—consisting of \$337,000 in Item 3600-301-200(3) and \$336,000 in Item 3600-301-890(2)—requested for fish diversion weir at Mad River Hatchery pending review of (a) project feasibility study, (b) preliminary plans and (c) analysis of project's implications for hatchery operating costs. 371

**ANALYSIS AND RECOMMENDATIONS**

The budget requests \$3,217,000, for the Department of Fish and Game's capital outlay program in 1988-89. The request consists of \$2,254,000 from the Fish and Game Preservation Fund (Item 3600-301-200), \$600,000 from federal funds (Item 3600-301-890), and \$363,000 in reimbursements. Table 1 shows the amounts requested for each project by funding source and our recommendations.

**Table 1**  
**Department of Fish and Game**  
**1988-89 Capital Outlay Program**  
**Items 3600-301-200 and 3600-301-890**  
**(dollars in thousands)**

	<i>Budget Bill Amount</i>			<i>Analyst's Recommendation</i>
	<i>Fish &amp; Game Preservation Fund</i>	<i>Federal Trust Fund</i>	<i>Reimburse- ments</i>	
Project:				
Hot Creek Hatchery - construction .....	\$916	—	—	\$916
Mad River Hatchery - fish weir .....	337	\$336	—	Pending
Merced River salmon rearing facility - prelimi- nary plans and working drawings .....	46	—	(\$46)	—
Suisun Marsh - interpretive facility .....	317	—	(317)	317
Budget schematics .....	50	—	—	50
Land acquisition, development, enhancement - Endangered species tax checkoff program ..	100	—	—	—
Minor construction projects .....	851	264	—	915
Subtotals .....	\$2,617	\$600	(\$363)	\$2,198
Less reimbursements .....	-363	—	—	-317
Totals .....	\$2,254	\$600	(\$363)	\$1,881

## **A. Projects for Which We Recommend Approval**

### **Suisun Marsh Interpretive Facility**

*We recommend approval.*

The budget includes \$317,000 in Item 3600-301-200(6) from the Fish and Game Preservation Fund (FGPF) for construction of an interpretive display in the vicinity of Hill Slough in the Suisun Marsh in Solano County. The amount from the FGPF is offset by reimbursements available under the provisions of Ch 1571/82.

The proposed project includes construction of a public access road and parking lot. The interpretive display will provide the public with information about the natural resources of the Suisun Marsh and will fulfill a specific requirement of legislation.

### **Minor Construction Projects—Federal Trust Fund**

*We recommend approval.*

The budget includes \$264,000 in Item 3600-301-890(1) from the Federal Trust Fund for construction of bird exclosure systems at the Moccasin Creek Fish Hatchery (Tuolumne County) and the Fillmore Fish Hatchery (Ventura County). The state is providing a required 25 percent match to the federal funds (\$88,000 from the Fish and Game Preservation Fund) in Item 3600-301-200(1).

## **B. Projects for Which We Recommend Deletion or Reductions**

### **Minor Capital Outlay—Fish and Game Preservation Fund**

*We recommend deletion of \$200,000 in Item 3600-301-200(1) for a project on the Sacramento River that (1) is only a partial solution and is inappropriately budgeted under minor capital outlay and (2) should include nonstate funding. We recommend approval of \$651,000 in the item for eight other minor projects.*

*Minor Capital Outlay Project is Really Major.* The budget includes \$851,000 in Item 3600-301-200(1) for nine minor capital outlay projects, including \$200,000 for upgrading a fish screen located at the confluence of the Sacramento River and the Glenn-Colusa Irrigation District's water diversion canal in Glenn County. The purpose of the existing fish screen is to prevent young salmon in the river (known as salmon fry) from swimming up the canal and being killed in the irrigation system's pumps. The effectiveness of the existing screen, however, is limited and diminishing with time. The department estimates that between five million and fifteen million salmon fry are lost at this one diversion point each year. The department proposes replacing the screen with a newly developed type of screen, known as "wedge wire," which is more effective at preventing the passage of small fish than the existing type of screen.

It is clear that the department needs to correct this problem and reduce salmon fry losses. The proposal in the budget, however, is only a partial solution which, by itself, will be relatively ineffective. The department's request will only provide for the replacement of one fourth of the existing screen. The department's supporting documentation for this request states that the rest of the screen will be replaced "as funding becomes available."

If replacement of the existing fish diversion screen is warranted, there is no point in carrying out the work in piecemeal fashion. From the standpoint of fiscal control and accountability, budgeting this work as if it

**DEPARTMENT OF FISH AND GAME—CAPITAL OUTLAY—Continued**

were a series of separate minor capital outlay projects is clearly inappropriate. Accordingly, we recommend that (1) the Legislature delete the \$200,000 requested for this project under minor capital outlay and (2) the department resubmit the entire project as a major capital outlay request with appropriate substantiation of the estimated costs.

We further recommend that the department seek partial funding of the project from the Glenn-Colusa Irrigation District as mitigation for the losses caused to public fisheries by the district's diversion intake. There is ample precedent for private parties to contribute to Fish and Game projects to mitigate effects of their activities on fishery resources.

**Other Projects.** We recommend approval of the balance of funds requested in Item 3600-301-200(1) for eight minor capital outlay projects (\$651,000). These projects range in cost from \$27,000 for expansion of an employee residence at the Fillmore Hatchery in Ventura County to \$160,000 for an equipment storage building and garage at the Fish Springs Hatchery in Inyo County.

**Land Acquisition, Development, Enhancement—Endangered Species Tax Check-off Program**

*We recommend deletion of \$100,000 in Item 3600-301-200(9) because the department has not identified what properties would be purchased. We further recommend that the Legislature adopt supplemental report language directing the department to develop a strategic plan for effective protection of habitat lands for endangered species.*

The budget proposes spending \$100,000 in Item 3600-301-200(9) for "land acquisition, development and enhancement." According to the department, these funds would be spent to protect habitat for endangered, threatened and rare fish, wildlife and plant species. The department proposes funding this activity from voluntary contributions made by taxpayers through a "check-off" provision on state income tax forms. These contributions are deposited in a special account in the Fish and Game Preservation Fund and are available for appropriation by the Legislature for conservation of endangered, rare or threatened species.

According to the department, the \$100,000 requested in this item would be available for the acquisition, development or enhancement of lands as opportunities arise. Thus, not only can the department not identify specific parcels of land to be acquired or developed, it cannot specify the types of habitat or the species that would be protected.

Our analysis indicates that contingency budgeting for this purpose is unnecessary. Property of the type considered under this proposal is currently financed by funds budgeted under the Wildlife Conservation Board. If an "opportunity" purchase becomes available and the department believes it is essential to purchase the property, then the department should request the board to include the property in its priority list of acquisitions. If the board concurs with the department's assessment of the property's priority, it can readily allocate the necessary funds. Consequently, we recommend deletion of the \$100,000 requested in Item 3600-301-200(9).

This request highlights another problem with the department's expenditures of endangered species tax check-off funds, which is the lack of a strategic plan to assure that these contributions are spent in the most effective way possible. We therefore recommend that the Legislature

adopt the following supplemental report language directing the department to develop clear priorities and a strategic plan for the use of these funds for protection of habitat for endangered, rare and threatened species:

The Department of Fish and Game shall report to the Legislature by November 1, 1988 on the department's priorities and strategic plan for the expenditure of funds for the protection of habitat for endangered, rare and threatened fish, wildlife and plant species. The department shall provide copies of the report to the fiscal committees of the Assembly and the Senate, the Joint Legislative Budget Committee and legislative committees with policy jurisdiction for endangered fish, wildlife and plant species.

#### **Merced River Salmon Rearing Facility**

*We recommend deletion of \$46,000 and associated reimbursements—Item 3600-301-200, categories (4) and (5)—for preliminary plans and working drawings because the department has not justified the project on a cost-benefit basis. (Future savings: \$542,000.)*

The budget includes \$46,000 in Item 3600-301-200(4) for preliminary plans and working drawings for the replacement of the earthen-lined fish-rearing ponds at the Merced River Facility with concrete pond basins. This proposed expenditure from the Fish and Game Preservation Fund is offset fully by reimbursements from the Department of Water Resources (Item 3600-301-200(5)).

The facility is located about 15 miles northeast of Merced and is the terminal point for salmon spawning on the Merced River. The proposed project also involves installation of new water lines and electrical improvements, including automatic fish feeders. The estimated future cost for construction is \$542,000.

According to the department's supporting documentation for this project, the principal reason for replacing the existing ponds (which were constructed in 1970) is to "free up personnel and allow an increase in productivity." The department, however, has not conducted a cost-benefit analysis for the project. Thus, the department is unable to specify (1) how productivity will be increased, (2) what activities staff will be "freed up" to perform, or (3) the amount of expected annual savings to the department's support budget. Both the department and the Legislature need this information to know whether the proposed project is an efficient investment. Consequently, we recommend deletion of \$46,000 and associated reimbursements for plans and working drawings for the Merced River Facility. If the department subsequently provides information to justify the project, we will review the information and advise the Legislature if a change in our recommendation is indicated.

#### **C. Project for Which We Withhold Recommendation**

##### **Mad River Hatchery**

*We withhold recommendation on \$673,000—consisting of \$337,000 in Item 3600-301-200 and \$336,000 in Item 3600-301-890—requested for construction of a fish diversion weir at the Mad River Hatchery pending review of (1) a project feasibility study, (2) preliminary plans, and (3) an analysis of the project's implications for the hatchery's operating costs.*

The budget requests a total of \$673,000 for construction of a fish diversion weir at the Mad River Hatchery in Blue Lake, Humboldt

**DEPARTMENT OF FISH AND GAME—CAPITAL OUTLAY—Continued**

County. The request consists of \$337,000 from the Fish and Game Preservation Fund in Item 3600-301-200(3) and \$336,000 from federal funds in Item 3600-301-890(2). The department spent approximately \$75,000 to prepare preliminary plans and working drawings for this project, using bond funds appropriated in Item 3640-302-748(b) of the 1984 Budget Act (as amended by Ch 1589/84) to the Wildlife Conservation Board for "restoration of waterways outside the coastal zone for the management of fisheries."

At the time this analysis was written, the department had not provided the following project information to the Legislature: (1) a feasibility study prepared by OSA, (2) the completed preliminary plans, and (3) an analysis of the project's implications for the costs of operating the hatchery. The preliminary plans and analysis of operating costs are required elements of capital outlay budget packages according to the State Administrative Manual. The Legislature should have this information, as well as the feasibility study, to evaluate the proposed project. Accordingly, we withhold recommendation on the \$673,000 requested for the Mad River project.

**Supplemental Report Language**

For purposes of project definition and control, we recommend that the fiscal subcommittees adopt supplemental report language which defines the scope and cost elements of each of the projects approved under these items.

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**Resources Agency**  
**WILDLIFE CONSERVATION BOARD**

Item 3640 from the Wildlife  
Restoration Fund

Budget p. R 111

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Requested 1988-89 .....	\$581,000
Estimated 1987-88 .....	875,000
Actual 1986-87 .....	672,000
Requested decrease (excluding amount for salary increases) \$294,000 (–33.6 percent)	
Total recommended reduction.....	None

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**GENERAL PROGRAM STATEMENT**

The Wildlife Conservation Board was created in 1947 to acquire property to protect and preserve wildlife and to 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 support activities are financed through appropriations from the Wildlife Restoration Fund, which annually receives \$750,000 in

horseracing license revenues. 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 personnel-years in the current year.

## ANALYSIS AND RECOMMENDATIONS

### *We recommend approval.*

The budget proposes expenditures of \$581,000 from the Wildlife Restoration Fund to support the Wildlife Conservation Board during 1988-89. This is \$294,000, or 34 percent, less than estimated current-year expenditures. Table 1 summarizes the board's proposed budget changes, by funding source, for 1988-89.

**Table 1**  
**Wildlife Conservation Board**  
**Proposed Budget Changes**  
**1988-89**  
(dollars in thousands)

	<i>Wildlife Restoration Fund</i>	<i>Environmental License Plate Fund</i>	<i>Totals</i>
1987-88 Expenditures (Revised).....	\$596	\$279	\$875
• Eliminate Suisun Marsh habitat enhancement grant program.....	—	-250	-250
• Delete land inventory study funds.....	—	-29	-29
• Pro rata adjustment.....	-33	—	-33
• Full-year cost of 1987-88 salary and benefit increases.....	11	—	11
• Operating expense adjustment.....	7	—	7
1988-89 Expenditures (Proposed).....	\$581	—	\$581
Change from 1987-88:			
Amount.....	-\$15	-\$279	-\$294
Percent.....	-2.5%	-100%	-33.6%

As shown in Table 1, the proposed reduction is attributable primarily to the deletion of \$250,000 provided in the current year from the Environmental License Plate Fund to pay landowners within the Suisun Marsh Conservation District for enhancement and management of wetlands on their property. This program was established by Ch 1571/82 to partially offset the costs to landowners of complying with habitat enhancement regulations adopted by the district. The Legislature, however, has funded the program only twice since the enactment of Ch 1571/82. The budget does not include any funding for this program for 1988-89. The remaining changes are minor and technical in nature.

Our analysis indicates that the proposed budget is reasonable.



**WILDLIFE CONSERVATION BOARD—CAPITAL OUTLAY**

Items 3640-301 and 3640-490  
from the Fish and Wildlife  
Habitat Enhancement (Bond)  
Fund and various funds

Budget p. R 113

Requested 1988-89.....	\$10,972,000
Recommend approval.....	1,292,000
No recommendation .....	9,680,000

**SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS**Analysis  
page

1. Unspecified Capital Outlay Projects. We make no recommendation on a total of \$9,680,000 requested in Items 3640-301-140, 3640-301-447, 3640-301-748 and 3640-490 for unspecified land acquisition, development, and minor capital outlay projects, because we have no basis on which to advise the Legislature whether these expenditures are warranted. 375

**OVERVIEW OF THE BUDGET REQUEST**

The budget proposes total expenditures of \$11 million for various capital outlay projects to be undertaken by the Wildlife Conservation Board (WCB) in 1988-89. Of this amount, approximately \$9.8 million would be provided from three new appropriations as shown in Table 1.

**Table 1**  
**Wildlife Conservation Board**  
**Proposed Appropriations for Capital Outlay**  
**1988-89**  
**(dollars in thousands)**

<i>Item</i>	<i>Fund</i>	<i>Amount</i>
3640-301-140	California Environmental License Plate Fund.....	\$3,292
3640-301-447	Wildlife Restoration Fund .....	3,000
3640-301-748	Fish and Wildlife Habitat Enhancement (Bond) fund .....	3,484
Total.....		\$9,776

In addition, the budget proposes to reappropriate \$1.2 million, originally appropriated in the 1985 Budget Act from the Parklands (Bond) Fund of 1984, for various acquisition and development projects:

The board probably will have a substantial amount of carryover funds in addition to the \$11 million requested in the budget for capital outlay in 1988-89. The budget estimates that the board will spend a total of \$27.5 million for capital outlay projects during the *current year*. This is \$12 million more than the largest amount spent by the board in any of the previous eight years. In all probability, a significant portion of the \$27.5 million will be carried over into 1988-89 and remain available for expenditure by the board.

**Bond Fund Balance.** Based on actual and 1988-89 proposed appropriations, approximately \$4 million will be available for appropriation to the board in subsequent years from the Fish and Wildlife Habitat Enhancement (Bond) Fund. The bond act designates all of the \$4 million for the restoration of waterways.

## ANALYSIS AND RECOMMENDATIONS

### Natural Area Acquisition Projects

*We recommend approval of \$1,292,000 requested for five specific acquisition projects.*

The budget requests \$1,292,000 from the Environmental License Plate Fund for the following five natural area acquisition projects:

- Dairy Mart Ponds, San Diego County (\$300,000).
- Elk Creek Wildlife Area, Del Norte County (\$500,000).
- Lake Earl Wildlife Area, Del Norte County (\$50,000).
- Mill Bend (Gualala River), Mendocino and Sonoma Counties (\$95,000).
- Moss Landing Wildlife Area, Monterey County (\$347,000).

The budget schedules these five projects separately and the board has provided information to support the individual requests. The projects are reasonable in scope and cost and appear to be justified.

### Information on Capital Outlay Projects is Not Adequate

*We make no recommendation on \$9,680,000 proposed for (1) land acquisition and development projects, (2) minor capital outlay projects, and (3) project planning, because the board has not provided information on the scope and cost of proposed projects.*

The budget requests \$9,680,000 for various *unspecified* acquisition and development projects, minor capital outlay projects, and for project planning as follows:

- \$3,484,000 from the Fish and Wildlife Habitat Enhancement (Bond) Fund for acquisition, enhancement, and development projects benefiting marshlands and aquatic habitat (\$3,434,000) plus project planning (\$50,000).
- \$3 million from the Wildlife Restoration Fund and \$100,000 in reimbursements for land acquisition (\$1,830,000), minor capital outlay (\$1,250,000), and project planning (\$20,000).
- \$2 million from the Environmental License Plate Fund for land acquisition for ecological reserves.
- \$1,196,000 reappropriated from the Parklands (Bond) Fund of 1984 for coastal fishing piers (\$582,000) and land acquisition projects (\$614,000).

In contrast to the five projects for which we recommend approval above, the budget does not identify (1) the specific projects the board proposes to fund, or (2) the expected costs of these projects. Although the board has provided lists of potential acquisition and development projects, these lists do not identify the costs of individual projects or provide specific project justification. Furthermore, the board indicates that the projects on the lists are tentative and subject to change. Nevertheless, it has been the Legislature's practice to grant the board this unusual degree of budget flexibility.

Without information on the specific projects to be funded and the costs of these projects, we have no basis for making a recommendation to the Legislature on this portion of the board's request.

**Resources Agency**  
**DEPARTMENT OF BOATING AND WATERWAYS**

Item 3680 from the General  
 Fund and special funds

Budget p. R 115

Requested 1988-89.....	\$30,415,000
Estimated 1987-88.....	34,512,000
Actual 1986-87.....	35,637,000
Requested decrease \$4,097,000 (- 11.9 percent)	
(excluding amount for salary increases)	
Total recommended reduction.....	None

**1988-89 FUNDING BY ITEM AND SOURCE**

Item—Description	Fund	Amount
3680-001-001—Support	General	\$263,000
3680-001-516—Support	Harbors and Watercraft Revolving	3,875,000
3680-001-890—Support	Federal Trust	250,000
3680-101-516—Local assistance, boating facilities, and law enforcement	Harbors and Watercraft Revolving	25,512,000
3680-101-890—Local assistance and boating facilities	Federal Trust	500,000
3680-121-890—Transfer to the Harbors and Watercraft Revolving Fund for previous local assistance expenditures	Federal Trust	(982,000)
Reimbursements	—	15,000
Total		\$30,415,000

**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 to finance beach erosion projects, 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 in controlling water hyacinth in the Sacramento-San Joaquin Delta and the Suisun Marsh.

The department has 58.4 personnel-years.

**ANALYSIS AND RECOMMENDATIONS**

*We recommend approval.*

The budget proposes \$30.4 million from state funds, federal funds, and reimbursements for the Department of Boating and Waterways (support and local assistance) in 1988-89. This is a decrease of \$4.1 million, or 12 percent, from estimated current-year expenditures. The proposed reduc-

tion is attributable primarily to a one-time expenditure in the current year of \$3 million from the Special Account for Capital Outlay (SAFCO) for beach erosion activities.

Table 1 summarizes the staffing and expenditures for the department from 1986-87 through 1988-89. Table 2 shows the proposed budget changes, by funding source, for the department in 1988-89.

**Table 1**  
**Department of Boating and Waterways**  
**Budget Summary**  
**1986-87 through 1988-89**  
**(dollars in thousands)**

Program:	Personnel-Years			Expenditures			Percent Change From
	Actual 1986-87	Est. 1987-88	Prop. 1988-89	Actual 1986-87	Est. 1987-88	Prop. 1988-89	
Boating Facilities .....	19.5	20.2	21.2	\$26,156	\$25,814	\$24,629	-4.6%
Boating Operations .....	16.8	18.9	18.9	5,558	5,441	5,523	1.5
Beach Erosion Control .....	2.8	3.0	3.0	3,923	3,257	263	-91.9
Administration (distributed) .....	13.6	15.3	15.3	(686)	(811)	(821)	1.2
Total .....	52.7	57.4	58.4	\$35,637	\$34,512	\$30,415	-11.9%
Funding Sources							
General Fund .....				\$253	\$257	\$263	2.3%
Harbors and Watercraft Revolving Fund .....				30,628	30,540	29,387	-3.8
Federal funds .....				4,732	700	750	7.1
Special Account for Capital Outlay .....				—	3,000	—	-100.0
Reimbursements .....				24	15	15	—

**Table 2**  
**Department of Boating and Waterways**  
**Proposed 1988-89 Budget Changes**  
**(dollars in thousands)**

	General Fund	Harbors and Watercraft Revolving Fund	Federal Funds and Reimburse- ments	SAFCO	Totals
1987-88 Expenditures (Revised) .....	\$257	\$30,540	\$715	\$3,000	\$34,512
Baseline and other adjustments .....	6	90	—	—	96
Changes in loan and grant programs					
• Loans to public agencies for marina development .....	—	2,040	—	—	2,040
• Loans to private recreational marinas .....	—	500	—	—	500
• Grants to local governments:					
Boat launching facilities .....	—	-3,783	—	—	-3,783
Boating safety and law enforcement .....	—	—	50	—	50
Beach erosion projects .....	—	—	—	-3,000	-3,000
1988-89 Expenditures (Proposed) .....	\$263	\$29,387	\$765	—	\$30,415
Change from 1987-88:					
Amount .....	\$6	-\$1,153	\$50	-\$3,000	-\$4,097
Percent .....	2.3%	-3.8%	70%	-100%	-11.9%

### Loans and Grants

**Loans for Public Marinas.** The budget requests \$14.5 million in 1988-89 from the Harbors and Watercraft Revolving Fund (HWRF) for loans to

**DEPARTMENT OF BOATING AND WATERWAYS—Continued**

local governments to help finance the construction or improvement of public marinas. This is an increase of \$2 million, or 16 percent, from estimated current-year expenditures. The requested amount consists of \$14.3 million for 8 harbor development projects and \$200,000 for statewide planning and emergency repair loans.

**Loans for Private Marinas.** The budget requests \$3 million from the HWRF to provide loans, under a program established in 1985, to private marina owners to develop, expand, or improve recreational marinas. This is an increase of \$500,000, or 19 percent, from estimated current-year expenditures.

**Launching Facility Grants.** The budget requests \$4.8 million from the HWRF in 1988-89 for grants to local governments for construction of boat launching ramps, restrooms and parking areas. This amount is \$3.8 million, or 40 percent, below estimated current-year expenditures. The requested amount consists of \$4.5 million for 15 specific grants, \$150,000 for statewide floating restroom grants, and \$150,000 for statewide repair grants for ramps previously constructed with funds from the department. The amount of funding needed for launching facility grants varies from year to year, depending on the number of projects proposed by local governments. In the current year, the department has funded 33 projects, while only 15 have been proposed for the budget year.

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**DEPARTMENT OF BOATING AND WATERWAYS—CAPITAL OUTLAY**

Item 3680-301 from the Harbors  
and Watercraft Revolving  
Fund

Budget p. R 122

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Requested 1988-89.....	\$983,000
Recommended approval .....	\$983,000

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**ANALYSIS AND RECOMMENDATIONS**

The budget requests \$983,000 from the Harbors and Watercraft Revolving Fund (HWRF) for capital outlay projects proposed by the Department of Boating and Waterways in 1988-89. The funds will be used to develop boating facilities in the state park system, at State Water Project Reservoirs, and at other state-owned land.

**(1) Project Planning.....\$20,000**  
*We recommend approval.*

The budget requests \$20,000 for use in evaluating proposed projects and preparing budget estimates for 1988-89. The amount requested is reasonable.

**(2) Minor Projects.....\$963,000**  
*We recommend approval.*

The department is requesting \$963,000 for minor capital outlay projects at the following areas:

Brannan Island State Recreation Area (SRA) (\$25,000)  
 Castaic Lake SRA (\$50,000)  
 Delta Meadows River State Park (\$20,000)  
 Folsom Lake SRA (\$5,000)  
 Gianella Bridge River Access (\$200,000)  
 Kings Beach SRA (\$40,000)  
 Millerton Lake SRA (\$100,000)  
 Perris Lake SRA (\$160,000)  
 Picacho SRA (\$32,000)  
 Silverwood Lake SRA (\$8,000)  
 South Bonnyview Road River Access (\$200,000)  
 Floating Restrooms—Castaic Lake SRA (\$48,000)  
 Statewide repairs and modifications (\$75,000)

These projects are reasonable in scope and cost and appear to be justified.

### Resources Agency

### CALIFORNIA COASTAL COMMISSION

Item 3720 from the General  
 Fund and other funds

Budget p. R 123

Requested 1988-89.....	\$9,330,000
Estimated 1987-88 .....	9,048,000
Actual 1986-87 .....	8,603,000
Requested increase (excluding amount for salary increases)	
\$282,000 (+3.1 percent)	
Total recommended reduction.....	None

### 1988-89 FUNDING BY ITEM AND SOURCE

Item—Description	Fund	Amount
3720-001-001—Support	General	\$6,323,000
3720-001-140—Support	Environmental License Plate Fund	403,000
3720-001-890—Support	Federal Trust	2,173,000
3720-101-890—Local assistance	Federal Trust	391,000
Reimbursements	—	40,000
Total		\$9,330,000

### SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

Analysis  
 page

1. *Staffing Reductions Hamstring Commission.* Recommend commission report prior to budget hearings on staffing needs to address workload related to local coastal plans (LCPs), permits and enforcement. 381
2. *Expediting LCP Certification.* Recommend commission report, prior to budget hearings, on the remaining number 384

**CALIFORNIA COASTAL COMMISSION—Continued**

of uncertified LCPs, including a forecast of each plan's certification.

**GENERAL PROGRAM STATEMENT**

The California Coastal Commission administers the state's coastal management program, pursuant to the 1976 Coastal Act (as amended). The two principal elements of this program are: (1) the review and approval of local coastal programs (LCPs) and (2) the regulation of development in the 69 local jurisdictions within the coastal zone.

In addition, the Coastal Commission is the designated state coastal management agency and administers the federal Coastal Zone Management Act (CZMA) within California. Under the CZMA, California receives federal funding from the Office of Coastal Resource Management 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 is headquartered in San Francisco and maintains 4 district offices in coastal areas. The commission has 110.1 personnel-years in the current year.

**OVERVIEW OF THE BUDGET REQUEST**

The budget proposes total expenditures of \$9.3 million in 1988-89. This is an increase of \$282,000, or 3 percent, from total estimated current-year expenditures. Proposed expenditures in 1988-89 consist of \$6.7 million from state funds, \$2.5 million of federal CZMA money, and \$40,000 in reimbursements. The commission expects to retain roughly \$1.3 million, or 51 percent, of the CZMA money it receives in 1988-89. The remaining \$1.3 million will be passed through to the following state agencies: the State Coastal Conservancy (\$400,000), San Francisco Bay Conservation and Development Commission (\$200,000) and various other agencies (\$650,000) for the Tijuana River National Estuarine Sanctuary program.

Table 1

**California Coastal Commission  
Budget Summary  
1986-87 through 1988-89  
(dollars in thousands)**

<i>Program</i>	<i>Personnel-Years</i>			<i>Expenditures</i>			<i>Percent Change</i>
	<i>Actual 1986-87</i>	<i>Est. 1987-88</i>	<i>Prop. 1988-89</i>	<i>Actual 1986-87</i>	<i>Est. 1987-88</i>	<i>Prop. 1988-89</i>	<i>From 1987-88</i>
Coastal management.....	99.5	87.2	87.2	\$8,181	\$8,611	\$8,877	3.1%
Coastal energy.....	6.0	6.0	6.0	382	397	413	4.0
Administration <sup>a</sup> .....	16.9	16.9	16.9	(925)	(963)	(993)	3.1
Administration undistributed .....	2.0	2.0	2.0	40	40	40	—
Totals.....	122.4	110.1	110.1	\$8,603	\$9,048	\$9,330	3.1%
<b>Funding Sources</b>							
<i>General Fund</i> .....				\$5,906	\$6,050	\$6,323	4.5%
<i>Environmental License Plate Fund</i> .....				344	394	403	2.3
<i>Reimbursements</i> .....				40	40	40	—
<i>Federal Trust Fund</i> .....				2,313	2,564	2,564	—

<sup>a</sup> Costs distributed among other programs.

The increase of \$282,000 in the commission's 1988-89 budget consists of: (1) administrative adjustments equaling \$157,000 and (2) \$125,000 for two high-speed copiers. The budget indicates that there will not be any change in the commission's staff in 1988-89.

Table 1 summarizes expenditures, staff levels, and funding sources for the commission in the past, current, and budget years.

## ANALYSIS AND RECOMMENDATIONS

### Commission's Implementation of Statutory Mandates Hamstrung by Staff Reductions.

*We recommend that the Coastal Commission report, prior to budget hearings, on its staffing needs to (1) address its enforcement case backlog (2) process LCP amendments within statutory deadlines (3) begin conducting 5-year LCP reviews and (4) expedite the completion and certification of LCPs.*

Over the last five years, as Table 2 illustrates, the Coastal Commission's professional program staff decreased from roughly 71 personnel-years (PYs) in 1982-83 to 54 PYs in the current year, a reduction of 25 percent. During the same period, total funding for the commission also decreased, from \$10.2 million to \$9 million. These reductions were due to budget cuts imposed by the administration. The Governor also generally vetoed or significantly reduced augmentations by the Legislature to restore commission funding.

In the 1987 Budget Act, the Governor vetoed \$319,000 which had been included in his budget as presented to the Legislature in January 1987. In his veto message, the Governor cited "the reduced workloads resulting from the completion and near completion of local coastal programs..." Reduced workload, due to completion of local coastal programs (LCPs), has consistently been a primary justification for the Governor's budget reductions.

**Table 2**  
**California Coastal Commission**  
**Comparison of Staffing to the Number of Agenda Items**  
**1982-83 versus 1987-88**

	<i>Professional Staff (PYs)</i>	<i>Number of Agenda Items</i>	<i>Agenda Items Per Personnel- Year</i>
1982-83 .....	71	2,884	41
1987-88 .....	54	2,648 <sup>a</sup>	50

<sup>a</sup> Half-year data (July 87-Dec. 87) extrapolated to a full year. Usually, permit activity (which constitutes the bulk of agenda items) increases between March and June.

***Reduced Permit Workload Depends on LCP Certification.*** The California Coastal Act of 1976 requires each of the 69 cities and counties along the coast to prepare LCPs for their portion of the coastal zone. Each local government may divide its coastal area into segments, each with its own LCP. There currently are 130 coastal segments. The purpose



**CALIFORNIA COASTAL COMMISSION—Continued**

of the LCP is to conform local land use ordinances with the policies of the Coastal Act. It consists of a land use plan (LUP) and zoning ordinances necessary to implement the LUP.

After LCP certification, the authority to grant most coastal development permits within that segment rests with the local government. Until then, the commission is generally responsible for permitting all coastal development within that segment.

**LCP Certification Far Behind Schedule.** As of December 1987, 78 of the 130 LCP segments, or 60 percent, had not been certified. In the four years that have passed since the last statutory deadline for LCP completion (January 1, 1984), the commission has certified only 25 LCPs. If this pace continues, it could take another 12 years before all LCP segments are certified. Moreover, the Coastal Act allows geographic areas which present particularly difficult problems to be deleted from a LCP, in order to certify the remainder of the LCP. Ultimately, these deferred certification areas (known as "white holes" due to their appearance on commission maps) also must be reviewed and approved in the same manner as LCPs. Currently, 42 of these "white holes" exist.

There are fundamental reasons for the commission's failure to meet the deadlines for LCP certification which we discuss under our next issue. Regardless of the causes of the delay, however, the commission generally must continue to issue permits in the uncertified areas.

**Workload Per Staff Member Increasing.** Since so few LCPs have been certified, the workload reductions anticipated by the Governor in his veto message do not appear to have occurred. One rough measure of workload is the number of items on the commission's hearing agendas. For each agenda item, the staff must perform an investigation, prepare an analysis and recommended action, and carry out the final decision. As Table 2 illustrates, the total number of commission agenda items (most of which are related to permits) has remained relatively constant since 1983, while the number of commission agenda items per staff member increased by 22 percent, from 41 to 50 during the same period.

**Backlog of Enforcement Cases Increasing.** The commission has an enforcement staff of roughly 3.5 PYs, primarily made up of part-time student interns. As Table 3 shows, over the past three years, the annual number of new enforcement cases has remained relatively constant while the case backlog has increased by 60 percent, from 477 to 762 cases. At current staffing levels this backlog will continue to grow.

**Table 3**  
**California Coastal Commission**  
**Backlog of Enforcement Cases**  
**1985 through 1987**

	Year-End Number of New Cases Reported	Number of Pending Cases
1985.....	390	477
1986.....	331	628
1987.....	384	762

Local government planners we contacted in six counties and four cities along the coast indicated that violations of permit conditions appear to have increased because of a lack of enforcement staff at the commission.

They also report long delays in enforcement actions. For example, in a case involving the removal of wetland vegetation in Mendocino County, it took the commission well over a year before it began an investigation. By that time, all the vegetation had been removed and the environmental damage was done. Moreover, the commission's efforts now had to address the more complex task of restoring the area to its original state rather than simply stopping the illegal activity.

The commission's staffing limitations also affect the ability of the Attorney General to litigate on its behalf. In October 1987, for example, the Attorney General's office wrote the commission that it had "been advised by your staff that the backlog of administrative records is such that they cannot even begin to prepare the index for the record in this case until February or March 1988." The letter pointed out the need to meet court deadlines for enforcement actions and warned the commission that there was "serious doubt as to how much tolerance the courts will show for your staffing problems."

Finally, the recently released evaluation of the commission's Coastal Management Program by the federal Office of Coastal Zone Management also highlights problems in the commission's enforcement program. The report indicated that "the CCC still does not have in place any type of system to monitor routinely the compliance of development activities with applicable permit requirements."

***Post-LCP Certification Workload Increasing.*** Although commission permit workload should diminish as LCPs are certified, the Coastal Act requires the commission to perform *new* tasks after LCP certification, such as evaluating LCP or LUP amendments and reviewing the implementation of certified LCPs at five-year intervals. These post-certification activities offset some of the reduction in permit workload.

A LCP or LUP may be amended up to three times a year (most amendment submittals consist of 15 to 20 individual changes). Before an amendment becomes effective, the commission must review and certify the proposed changes. Commission staff prepared comments on 59 LCP amendments in 1986-87, compared to only 20 in 1982-83. If the current half-year trend continues, commission staff will comment on 70 LCP amendments in 1987-88.

Local government planners in eight counties and six cities along the coast indicated to us that prior to the staff reductions, the commission provided "front-end" comments or consultations which often negated potential problems. Now, however, local planners indicate that commission staff have no time for front-end comments and as a result there are constant delays in processing LCP amendments. According to one San Mateo county planner, the expectation is that commission action on LCP or LUP amendments will take from five months to a year, despite the Coastal Act requirement that the commission act within 90 days of submittal.

***No Five-Year LCP Reviews Conducted.*** The commission has yet to perform a single five-year LCP review. Currently, 19 five-year LCP reviews are overdue, some by as much as three years. Eight more LCPs should be reviewed during 1988-89. The commission indicates, however, that it does not plan to conduct any reviews in the current year or in 1988-89 because of the lack of staff.

**CALIFORNIA COASTAL COMMISSION—Continued**

**Conclusion.** The Governor's past budget and staff reductions have been based in large part on an anticipated decrease in workload due to the completion of LCPs. Over the last five years, however, contrary to the Governor's assumption, there has been no decrease in the commission's workload. In fact, because of staff reductions, the commission's permit and LCP amendment workload per staff member has increased. In addition, the backlog of enforcement cases has grown. In order for the Legislature to evaluate the adequacy of the commission's staffing levels to carry out its statutory mandates, we recommend that the commission report at budget hearings on its staffing needs to (1) address the enforcement case backlog (2) process LCP amendments within statutory deadlines (3) begin conducting five-year LCP reviews and (4) expedite the completion and certification of LCPs.

**Options For Expediting LCP Preparation and Certification**

*We recommend that the Coastal Commission report to the Legislature, prior to budget hearings, on (1) the number and location of the remaining uncertified LUP, LCP, and "white holes" and (2) a realistic forecast of LUP, LCP and "white hole" completion dates.*

As we point out in the previous issue, the LCP certification process has fallen far behind schedule, with 60 percent of the LCPs still not certified 11 years after the Coastal Act was enacted. Commission staffing and budget constraints have contributed to these delays, but additional resources alone will not solve the problem. This is because the Coastal Act itself provides no meaningful sanctions for failure to complete LCPs in a timely manner, nor does it provide strong incentives for meeting deadlines. In our *Analysis of the 1983-84 Budget Bill* (please see p. 678), we discussed in detail delays in the LCP certification process. Little has changed in the four years since then. Then, as now, reasons for the delays, include (1) the difficulty many local governments have reaching consensus on coastal planning issues, (2) the reluctance of some local governments to take over permit authority because it requires local officials, rather than the commission, to make politically controversial decisions, and (3) the complexity of coastal development issues.

**Legislative Options.** Regardless of commission staffing levels, without local governments taking the initiative to complete the LCP certification process, the prospects for rapid LCP completion are poor. Consequently, the commission, contrary to the Coastal Act's original intent, will continue to function as the local coastal planning agency for many of the most populated areas along the coast. In order to more effectively implement the Coastal Act, we believe the Legislature has two basic options for accelerating LCP certification.

**Sanction Local Governments For Failure to Complete LCPs.** One potential sanction would be to enact legislation prohibiting the expenditure of State Coastal Conservancy bond funds for urban waterfront restoration and public access projects within any jurisdiction that does not have a certified LCP. This would provide both a sanction and an incentive to local governments to expedite their LCP preparation. This approach also would be consistent with the statutory function of the conservancy as a facilitator of LCP implementation.

**Mandate the Commission to Prepare and Implement LCPs.** The Legislature could enact legislation requiring the Coastal Commission to

prepare the LCPs for the uncertified segments and to continue to issue coastal permits in these jurisdictions after certification. Coastal permit fees charged by the commission should be increased to make this program self-financing and to provide adequate staffing. The legislation could allow local governments to assume permit authority at a future time, subject to commission approval. This approach also would eliminate the existing mandate that local governments prepare LCPs. The budget requests \$350,000 in 1988-89 to reimburse local governments for this mandate. Consequently, some of the commission's LCP preparation costs could be offset by the elimination of the reimbursement.

In order for the Legislature to have a better understanding of the prospects for LCP completion and to evaluate the options we have presented, we recommend that the Coastal Commission report prior to budget hearings, on (1) the number and location of the remaining uncertified LUPs, LCPs and "white holes" and (2) a realistic forecast of LUP, LCP and "white hole" completion dates.

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### Resources Agency STATE COASTAL CONSERVANCY

Item 3760 from the Coastal  
Conservancy Fund and  
various other funds

Budget p. R 128

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Requested 1988-89 .....	\$3,347,000
Estimated 1987-88 .....	4,108,000
Actual 1986-87 .....	3,616,000
Requested decrease (excluding amount for salary increases) \$761,000 (-18.5 percent)	
Total recommended reduction .....	None

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#### 1988-89 FUNDING BY ITEM AND SOURCE

Item—Description	Fund	Amount
3760-001-565—Support	1976 State Coastal Conservancy (Bond)	\$290,000
3760-001-721—Support	Parklands (Bond) Fund of 1980	1,647,000
3760-001-730—Support	1984 State Coastal Conservancy (Bond)	754,000
3760-001-748—Support	Fish and Wildlife Habitat En- hancement (Bond)	250,000
Reimbursements	—	406,000
Total		<u>\$3,347,000</u>

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#### 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

**STATE COASTAL CONSERVANCY—Continued**

natural resources, (4) developing a system of public accessways, and (5) improving coastal urban land uses.

In general, the projects must conform to California Coastal Act policies and be approved by the conservancy governing board. The conservancy's geographic jurisdiction coincides with the coastal zone boundaries established for the California Coastal Commission. An exception is the San Francisco Bay and the Suisun Marsh areas where the conservancy has jurisdiction, but the Coastal Commission does not. At the request of a local government, the conservancy can undertake a project outside of the coastal zone that benefits areas within the coastal zone.

The conservancy governing board consists of the Chairperson of the Coastal Commission, the Secretary of the Resources Agency, the Director of Finance, and four public members.

The conservancy is headquartered in Oakland and has 45 personnel-years in the current year.

**ANALYSIS AND RECOMMENDATIONS***We recommend approval.*

The budget proposes total expenditures of \$3.3 million for support of the Coastal Conservancy in 1988-89. This is a decrease of \$761,000, or 18.5 percent, from estimated current-year expenditures. The major reasons for the reduction are: (1) deletion of \$450,000 for commercial fishing gear loans provided by Ch 910/86 in the current year and (2) the termination of a current-year local assistance grant of \$150,000.

**Table 1**  
**State Coastal Conservancy**  
**Budget Summary**  
**1986-87 through 1988-89**  
**(dollars in thousands)**

	<i>Personnel-Years</i>			<i>Expenditures</i>			<i>Percent Change</i>
	<i>Actual</i>	<i>Est.</i>	<i>Prop.</i>	<i>Actual</i>	<i>Est.</i>	<i>Prop.</i>	
<i>Program:</i>	<i>1986-87</i>	<i>1987-88</i>	<i>1988-89</i>	<i>1986-87</i>	<i>1987-88</i>	<i>1988-89</i>	<i>1987-88</i>
Agricultural land preservation....	4.0	4.5	4.0	\$290	\$329	\$310	-5.8%
Coastal restoration .....	3.0	4.4	4.4	290	473	404	-14.6
Public access .....	4.0	6.3	5.0	521	706	684	-3.1
Resource enhancement .....	7.0	6.1	6.6	1,361	1,209	1,000	-17.3
Site reservation .....	2.0	3.0	3.0	236	348	217	-37.6
Urban waterfront restoration .....	4.0	5.0	5.0	769	893	491	-45.0
Nonprofits .....	2.2	1.8	1.8	149	150	241	60.7
Administration (distributed) .....	14.0	14.0	14.0	(600)	(605)	(581)	-4.0
Totals .....	40.2	45.1	43.8	\$3,616	\$4,108	\$3,347	-18.5%
<i>Funding Sources:</i>							
<i>Environmental License Plate Fund .....</i>				\$400	\$150	—	-100%
<i>State Coastal Conservancy (Bond) Fund .....</i>				205	1,102	\$290	-73.7
<i>Parklands (Bond) Fund of 1980 .....</i>				—	800	1,647	105.9
<i>State Coastal Conservancy (Bond) Fund of 1984 .....</i>				2,373	1,156	754	-34.8
<i>Fish and Wildlife Habitat Enhancement (Bond) Fund .....</i>				250	250	250	—
<i>Reimbursements .....</i>				388	650	406	-37.5

Proposed 1988-89 expenditures consist of \$2.9 million from various bond funds and \$406,000 in reimbursements. Reimbursements include \$400,000 from the federal Coastal Zone Management Act (CZMA) funds allocated to the conservancy by the Coastal Commission. The Coastal Commission is the single state agency designated to receive CZMA funds.

Table 1 provides a three-year summary of the conservancy's expenditures by program and funding source.

As Table 1 indicates, the budget proposes to reduce staffing to 43.8 person-years (PYs) in 1988-89, a reduction of 1.3 PYs from the current year, due to an anticipated decline in temporary help.

The conservancy's budget request appears reasonable and consistent with its statutory mandates.

### STATE COASTAL CONSERVANCY—CAPITAL OUTLAY

Item 3760-301 from bond funds

Budget p. R 133

Requested 1988-89 .....	\$11,250,000
No recommendation .....	11,250,000

#### SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

*Analysis  
page*

1. Inadequate Information. We make no recommendation on the total request of \$11,250,000 in Item 3760-301-565 and Item 3760-301-748 for unspecified capital outlay and local assistance projects because we have no basis on which to advise the Legislature whether these expenditures are warranted. 388

#### OVERVIEW OF THE BUDGET REQUEST

The budget proposes two appropriations for the State Coastal Conservancy totaling \$11,250,000, entirely from bond funds, for capital outlay in 1988-89. Language in each of the capital outlay items, however, also allows these funds to be used for local assistance. Therefore, the money requested may be allocated for projects directly carried out by the conservancy or for grants to local agencies or nonprofit organizations.

Specifically, the requested amounts are for the following purposes:

#### State Coastal Conservancy Fund of 1976 (Item 3760-301-565)

(1) Agricultural land preservation .....	\$500,000
(2) Coastal restoration .....	2,250,000
(3) Public access .....	2,250,000
(4) Site reservation .....	750,000
(5) Urban waterfront restoration .....	2,250,000
Subtotal .....	(\$8,000,000)

#### Fish and Wildlife Habitat Enhancement Fund of 1984 (Item 3760-301-748)

(1) Resource enhancement .....	\$3,000,000
(2) Site reservation .....	250,000
Subtotal .....	(\$3,250,000)
Total .....	\$11,250,000

**STATE COASTAL CONSERVANCY—CAPITAL OUTLAY—Continued**

Should the entire budget request be approved, a reserve of less than \$7 million will remain in all conservancy bond funds, excluding any loan repayment amounts. The California Wildlife, Coastal, and Park Land Conservation (Bond) Act initiative on the June 1988 statewide ballot, however, would provide \$58 million to the conservancy. Under the provisions of the initiative, \$24 million of these funds would be appropriated directly to the conservancy on approval of the measure by the voters.

**ANALYSIS AND RECOMMENDATIONS****Information Not Adequate**

*We make no recommendation on proposed expenditures of \$11,250,000 for capital outlay and local assistance requested by the Coastal Conservancy because the conservancy has not provided adequate information on the scope and cost of the proposed projects.*

It has been the Legislature's practice to grant the conservancy unusual budget flexibility. Following that practice, the budget does not identify (1) the specific projects the conservancy proposes to fund, or (2) the expected costs of these projects. Although the conservancy has provided a list of *potential* projects in the seven program areas listed above, it has not identified the costs of individual projects.

In the absence of information on the specific projects to be funded, and their costs, we have no basis for making a recommendation to the Legislature on the conservancy's capital outlay request.

**Resources Agency****DEPARTMENT OF PARKS AND RECREATION**

Items 3790, 3790-491, 3790-492,  
and 3790-496 from the  
General Fund and various  
funds

Budget p. R 135

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Requested 1988-89.....	\$207,017,000
Estimated 1987-88.....	256,173,000
Actual 1986-87.....	182,901,000
Requested decrease (excluding amount for salary increases) \$49,156,000 (–19.2 percent)	
Total recommended reduction.....	813,000
Recommendation pending.....	718,000

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**1988-89 FUNDING BY ITEM AND SOURCE**

Item—Description	Fund	Amount
3790-001-001—Support	General	\$79,487,000
3790-001-263—Support	Off-Highway Vehicle	9,108,000
3790-001-392—Support	State Parks and Recreation	50,701,000
3790-001-394—Support	Fines and Forfeitures Account	274,000
3790-001-449—Support	Winter Recreation	8,000
3790-001-516—Support	Harbors and Watercraft Revolving	329,000
3790-001-716—Support	Community Parklands (1986 Bond)	100,000
3790-001-721—Support grants	1980 Parklands (Bond)	1,655,000
3790-001-722—Support grants	1984 Parklands (Bond)	3,523,000
3790-001-742—Support grants	State, Urban, and Coastal Park (1976 Bond)	1,055,000
3790-001-890—Support	Federal Trust	1,844,000
3790-011-062—Revenue transfer for maintenance of park roads	Highway Users Tax Account	(2,500,000)
3790-496-001—Reversion	General	(70,000)
3790-496-140—Reversion	Environmental License Plate	(20,000)
Reimbursements	—	4,756,000
Subtotal, Support		(\$152,840,000)
3790-101-263—Local assistance grants	Off-Highway Vehicle	9,627,000
3790-101-716—Local assistance grants	Community Parklands (1986 Bond)	12,877,000
3790-101-890—Local assistance grants	Federal Trust	2,060,000
3790-491-140—Reappropriation	Environmental License Plate	300,000
3790-491-263—Reappropriation	Off-Highway Vehicle	3,000,000
3790-492-716—Reappropriation	Community Parklands (1986 Bond)	26,313,000
3790-496-263—Reversion	Off-Highway Vehicle	(802,000)
Subtotal, Local Assistance		(\$54,177,000)
Total		\$207,017,000

**SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS**Analysis  
page

1. New Facilities. Recommend adoption of Budget Bill language limiting the expenditure of funds for operation of Wilder Ranch and Tapia Park. 393
2. Road Maintenance. Recommend that the department report at budget hearings on the effect of the backlog of park road maintenance projects, and its plans to reduce the backlog. 395
3. *Prairie City. Reduce Item 3790-001-263 by \$813,000.* Recommend deletion of \$813,000 and 8 personnel-years because property acquisition has not been approved by the Legislature. Further recommend that the department report at budget hearings on its agreement to operate the park prior to acquisition. 395
4. OHV Resource Management. Withhold recommendation on \$718,000 and two personnel-years, pending receipt of additional contract plan information. 396
5. Concession Contracts. Recommend the adoption of supplemental report language prohibiting the department from bidding a new contract for the Lime Saddle Marina concession until the general plan for Lake Oroville SRA is amended 397



**DEPARTMENT OF PARKS AND RECREATION—Continued**

to include expansion of the marina. Further recommend the adoption of supplemental report language expressing approval of the department's other seven proposed concession agreements.

**GENERAL PROGRAM STATEMENT**

The Department of Parks and Recreation acquires, develops, preserves, interprets, and manages the natural, cultural, and recreational resources in the state park system and in the State Vehicular Recreation Area and Trail System (SVRATS). New programs and projects for the state park system are undertaken with the advice or approval of the eight-member California State Park and Recreation Commission. The seven-member Off-Highway Motor Vehicle Recreation Commission is responsible for establishing general policies for the guidance of the department in the planning, development, operation, and administration of the SVRATS.

In addition, the department administers state and federal grants to cities, counties, and special districts that help provide parks and open-space areas throughout the state.

The state park system consists of 287 units, including 42 units administered by local and regional park agencies. The system contains approximately 1.4 million acres of land with 292 miles of ocean and bay frontage and 677 miles of lake, reservoir, and river frontage. During 1988-89, more than 81 million visitations are anticipated at state parks and beaches operated by the department. In the same period, approximately 49 million visitations are anticipated at state parks and beaches operated by local and regional park agencies.

The SVRATS consists of approximately 52,000 acres in six units. The department estimates that more than 1.5 million visitations to these units will occur during 1988-89.

In the current year, the department has 2,852 personnel-years.

**OVERVIEW OF THE BUDGET REQUEST**

The budget proposes expenditures for the Department of Parks and Recreation totaling \$207 million for support and local assistance in 1988-89. This is a decrease of \$49 million, or 19 percent, from estimated current-year expenditures from all sources. The decrease in expenditures is due primarily to a reduction in local assistance grants, which is discussed in more detail below.

**State Operations.** The budget requests a total of \$152.8 million from the General Fund (\$79.5 million), various state funds (\$66.7 million), federal funds (\$1.8 million) and reimbursements (\$4.8 million) for support of the department in 1988-89. This is an *increase* of \$10.9 million, or 7.7 percent, above total estimated current-year support costs. The increase primarily reflects additional staff and operating costs for new facilities, increases to address deferred maintenance of park facilities and roads, costs resulting from a new agreement with Los Angeles County for the continued operation of state-owned beaches, and baseline adjustments to maintain the department's current level of activity.

**Local Assistance.** The department requests appropriations totaling \$54.2 million for local assistance grants in 1988-89. This amount consists of new appropriations totaling \$24.6 million and reappropriations totaling

\$29.6 million. Most of these funds (\$39.2 million) are from the Community Parklands (1986 Bond) Fund.

The total amount proposed for local assistance in 1988-89 represents a decrease of \$60.1 million, or 53 percent, from estimated current-year expenditures for local assistance. This decrease primarily reflects a reduction in the amounts remaining in the various bond funds that are available for appropriation.

### Program and Budget Change Summaries

Table 1 provides a summary of the department's expenditures, by program, for 1986-87 through 1988-89. As Table 1 indicates, the department requests a net increase of 65 personnel-years (PYs) in the budget year, primarily to operate new park facilities, increase public access at existing facilities, conduct resource inventories for park general plans, and generate additional park revenues.

**Table 1**  
**Department of Parks and Recreation**  
**Summary of Expenditures and Funding Sources**  
**1986-87 through 1988-89**  
**(dollars in thousands)**

Program:	Personnel-Years			Expenditures			Percent Change From
	Actual 1986-87	Est. 1987-88	Prop. 1988-89	Actual 1986-87	Est. 1987-88	Prop. 1988-89	
<b>Support:</b>							
Statewide planning .....	21.5	19.7	19.7	\$1,280	\$1,290	\$1,244	-3.6%
Acquisition .....	21.8	26.2	26.2	1,070	1,577	1,605	1.8
Property management .....	—	—	—	450	850	850	—
Facilities development .....	82.4	82.6	83.6	5,164	5,711	5,833	2.1
Resources preservation and interpretation .....	99.8	82.1	93.6	4,840	4,727	5,508	16.5
Historic preservation .....	20.2	19.6	19.6	887	1,100	1,188	8.0
Park system operations .....	2,298.8	2,305.8	2,351.6	110,104	118,581	126,189	6.4
Off-highway vehicle (OHV) ..	95.8	107.9	113.6	5,359	7,461	9,108	22.1
Grants administration (non-OHV) .....	21.9	21.6	21.6	1,520	1,246	1,315	5.5
Departmental administration (costs distributed) .....	198.1	186.8	187.8	(14,637)	(17,208)	(17,448)	1.4
Subtotals, Support .....	(2,860.3)	(2,852.3)	(2,917.3)	(\$130,404)	(\$142,543)	(\$152,840)	(7.2%)
<b>Local Assistance:</b>							
Local assistance grants .....	—	—	—	42,295	99,581	41,490	-58.3
OHV local assistance grants ..	—	—	—	7,172	7,333	12,627	72.2
Historic preservation grants ..	—	—	—	3,030	6,716	60	-99.1
Subtotals, Local Assistance ..	(—)	(—)	(—)	(\$52,497)	(\$113,630)	(\$54,177)	(-52.3%)
<b>Totals .....</b>	<b>2,860.3</b>	<b>2,852.3</b>	<b>2,917.3</b>	<b>\$182,901</b>	<b>\$256,173</b>	<b>\$207,017</b>	<b>-19.2%</b>
<b>Funding Sources</b>							
General Fund .....				77,129	78,078	79,487	1.8%
State Parks and Recreation Fund (SPRF) .....				38,633	45,387	50,701	11.7
Fines and Forfeiture Account, SPRF .....				—	333	274	-17.7
Winter Recreation Fund .....				72	90	8	-91.1
Environmental License Plate Fund .....				105	450	300	-33.3
Off-Highway Vehicle Fund .....				12,531	14,794	21,735	46.9
Special Account for Capital Outlay .....				750	18,672	—	-100.0
Bond funds .....				41,312	84,646	45,523	-46.2
Harbors and Watercraft Revolving Fund .....				321	325	329	1.2
Federal funds .....				5,221	5,010	3,904	-22.1
Reimbursements .....				6,827	8,388	4,756	-43.3

## DEPARTMENT OF PARKS AND RECREATION—Continued

Table 2  
 Department of Parks and Recreation  
 Proposed 1988-89 Budget Changes, by Fund  
 (dollars in thousands)

	General Fund	Off- Highway Vehicle Fund	State Park & Recreation Fund	Various Park Bond Funds	Various Other Funds	Reimburse- ments	Total
1987-88 Expenditures (Revised) .....	\$78,078	\$14,794	\$45,387	\$84,646	\$24,880	\$8,388	\$256,173
<i>Baseline Adjustments</i>							
One-time costs in 1987-88 .....	—	-174	-822	—	-214	—	-1,210
Pro rata adjustment .....	—	98	—	—	35	—	133
Full-year costs of 1987-88 programs .....	—	—	29	—	1	—	30
Full-year costs of 1987-88 salary and benefit increases .....	845	63	488	—	25	99	1,520
Price increase .....	564	61	375	—	14	68	1,082
Subtotals, Baseline Adjustments .....	(\$1,409)	(\$48)	(\$70)	(—)	(\$139)	(\$167)	(\$1,555)
<i>Workload and Administrative Changes</i>							
Staff and operate new facilities .....	—	\$80	\$2,528	—	—	—	\$2,608
General plan resource inventories .....	—	—	—	\$600	—	—	600
Increase road maintenance .....	—	—	1,000	—	—	—	1,000
South Yuba River Project patrol .....	—	—	141	—	—	—	141
Point Sur Project operations .....	—	—	414	—	—	—	414
Prairie City off-highway vehicle (OHV) park .....	—	813	—	—	—	—	813
Martin Ranch OHV acquisition with- drawal .....	—	-915	—	—	—	—	-915
OHV sediment removal .....	—	300	—	—	—	—	300
OHV fish and game study .....	—	250	—	—	—	—	250
Design and construction planning di- rect funding .....	—	—	—	3,768	—	-\$3,768	—
Miscellaneous workload adjustments ..	—	56	130	31	—	-31	186
Subtotals, Workload and Administra- tive Changes .....	(—)	(\$584)	(\$4,213)	(\$4,399)	(—)	(\$3,799)	(\$5,397)
<i>Program Changes</i>							
Additional staff to generate revenue ..	—	—	\$191	—	—	—	\$191
OHV resource management .....	—	\$718	—	—	—	—	718
OHV safety education .....	—	52	—	—	—	—	52
Radio equipment conversion .....	—	245	418	—	—	—	663
Railroad Museum orientation exhibit ..	—	—	325	—	—	—	325
Hearst artifacts restoration .....	—	—	—	\$250	—	—	250
Capitol Museum contract .....	—	—	97	—	—	—	97
Los Angeles County beaches agree- ment .....	—	—	—	1,000	—	—	1,000
Local assistance grants .....	—	2,294	—	-71,085	-\$20,226	—	-89,017
Reappropriation of local assistance funds .....	—	3,000	—	26,313	300	—	29,613
Subtotals, Program Changes .....	(—)	(\$6,309)	(\$1,031)	(\$43,522)	(\$19,926)	(—)	(\$56,108)
1988-89 Expenditures (Proposed) .....	\$79,487	\$21,735	\$50,701	\$45,523	\$4,815	\$4,756	(\$207,017)
Change from 1987-88							
Amount .....	\$1,409	\$6,941	\$5,314	-\$39,123	-\$20,065	-\$3,632	-\$49,156
Percent .....	1.8%	46.9%	11.7%	-46.2%	-95.4%	-43.3%	-19.2%

Table 2 identifies, by funding source, proposed budget changes for the department for 1988-89. As shown in Table 2, the budget proposes funding most of the department's significant workload adjustments and program changes from the State Parks and Recreation Fund and the Off-Highway Vehicle Fund.

### **ANALYSIS AND RECOMMENDATIONS**

We recommend approval of the following significant changes shown in Table 2, which are not discussed elsewhere in this analysis:

- An increase of \$600,000 from the Parklands (Bond) Fund of 1984 and 11.5 PYs for completion of general plan resource inventories for 22 park units.
- An increase of \$191,000 from the SPRF and 7.4 PYs to generate additional revenue at various parks.
- An increase of \$663,000 for the fourth year of a seven-year project to convert the department's radio system in order to improve communications.
- An increase of \$325,000 from the SPRF to revise the visitor orientation program at the State Railroad Museum.
- An increase of \$250,000 from the State, Urban, and Coastal Park Fund (1976 Bond) for artifact restoration at Hearst San Simeon State Historic Monument. (This work traditionally has been funded in the department's capital outlay program.)
- An increase of \$414,000 from the SPRF and 2 PYs for repair and maintenance of historic structures at Point Sur State Historic Park.
- An increase of \$250,000 from the OHV Fund to contract with the Department of Fish and Game to review the effect of activities in OHV parks on fish and wildlife.
- A decrease of \$915,000 from the OHV Fund and 10 PYs resulting from the withdrawal of the proposed Martin Ranch acquisition.

### **Local Assistance, Reappropriations and Reversions**

In addition to the changes shown in Table 2 and listed above, we recommend approval of the following requests:

- All proposed new funds and reappropriations (Items 3790-491 and 3790-492) for local assistance grants totaling \$54.2 million from the Community Parklands (1986 Bond) Fund, the OHV Fund, the Environmental License Plate Fund, and federal funds.
- Reversions in Item 3790-496 totaling \$892,000 in unspent balances, primarily to the OHV Fund, because projects and studies have been completed or canceled.

### **Delays in Projects Postpone the Need for New Staff**

*We recommend the adoption of Budget Bill language limiting the expenditure of funds for operation of Wilder Ranch and Tapia Park until associated development and acquisition projects are completed.*

The budget requests \$2.6 million (\$2.5 million SPRF and \$80,000 OHV Fund) and 35 PYs for operation of new park developments and acquisitions. Of this request, \$1.7 million and 24 PYs appear warranted and we recommend approval. Delays are likely, however, to reduce the amounts needed in 1988-89 for projects at Wilder Ranch State Park and for state operation of Tapia Park.

**DEPARTMENT OF PARKS AND RECREATION—Continued**

**Wilder Ranch.** The budget proposes a total of \$559,000 from the SPRF to operate a new development project at Wilder Ranch in Santa Cruz County. This amount consists of \$337,000 for operating costs and \$222,000 for equipment. The project involves the restoration of historic ranch buildings in the park's cultural preserve and related work. The department now estimates that the project will be open to the public sometime in the first quarter of 1988-89, since delays already have occurred in the current year which will cause the department to miss its original target of July 1, 1988. In addition, there is a high probability of additional delays which also makes the opening date uncertain.

**Tapia Park.** In addition, the budget proposes a total of \$249,000 from the SPRF to operate Tapia Park, which is currently owned and operated by Los Angeles County. This amount consists of \$169,000 for operating costs and \$80,000 for equipment.

Chapter 1358, Statutes of 1987, authorized the exchange of certain existing state park property with Los Angeles County for other recreational or park property. The department has begun negotiating with the county for the transfer of Tapia Park to the state under this authority. However, the exchange was authorized only as of January 1988, and, at the time this analysis was prepared, negotiations with the county to acquire the property had just begun. The department indicates that reaching agreement on the details of the transfer of Tapia Park may take longer than six months. Thus, the completion of the transaction by the start of the budget year is questionable.

**Conclusion.** The total amount the department is requesting for equipment and operating costs is reasonable *if* operations commence in July 1988. However, given the uncertainties in the schedules for the new facilities at Wilder Ranch and in the negotiations to acquire Tapia Park, it is questionable whether the department will be able to begin operations by July 1988. Accordingly, we recommend the adoption of the following Budget Bill language (in Item 3790-001-001) for Wilder Ranch and Tapia Park to (1) prohibit spending operating or equipment funds until the projects are ready and (2) reduce operating expenses in proportion to the length of any delay:

1. Of the amount appropriated by this item, \$559,000, as transferred from Item 3790-001-392, shall be available for operation of the Cultural Preserve project at Wilder Ranch State Park, but none of these funds shall be available for expenditure until the development project is completed. Of this amount, \$337,000 shall be available for allocation by the Director of Finance, based on the number of months remaining in the fiscal year at the time the development project is completed.
2. Of the amount appropriated by this item, \$249,000, as transferred from Item 3790-001-392, shall be available for operation of Tapia Park, but none of these funds shall be available for expenditure until the Tapia Park property is acquired. Of this amount, \$169,000 shall be available for allocation by the Director of Finance, based on the number of months remaining in the fiscal year at the time the Tapia Park property is acquired.

**Department Needs to Fill In Details of Road Maintenance Plans**

*We recommend that the department report at budget hearings on the effects of the backlog of park road maintenance projects and on its plans to reduce the backlog.*

Streets and Highways Code Section 2107.7 requires the annual transfer to the SPRF of \$1.5 million from the Highway Users Tax Account, to be appropriated for park road maintenance and repair. In addition, the code section provides that "any increase in the amount of this appropriation shall be considered in the course of the annual budget process."

The department proposes an augmentation in 1988-89 of \$1 million, for a total of \$2.5 million transferred from the Highway Users Tax Account, in order to address a backlog of park road maintenance/special repair projects. According to the department, however, the backlog consists of about 350 special repair projects estimated to cost over \$15.2 million.

Our review of this proposal indicates that while the \$2.5 million proposed for 1988-89 would keep the project backlog from growing, it would not be enough to *reduce* the backlog of special road repairs in the budget year. Moreover, even with a long-term annual funding level of \$2.5 million, the backlog would continue to grow after the budget year, since *new* projects added to the list each year would exceed this amount.

In addition, the department indicates that it has experienced significant costs from claims by park visitors whose vehicles were damaged by poorly maintained park roads. These costs probably will increase in future years unless the department begins to address its road problems.

The department reports that it plans to pursue legislation to amend the Streets and Highways Code to provide additional funding for its road repair program. However, at the time this analysis was prepared, no bill had been introduced. Given that the road repair backlog will continue to grow unless additional steps are taken, the budget proposal for a \$1 million augmentation does not appear adequate to address the problem. Accordingly, we recommend that the department report at budget hearings on the effect of the road project backlog on park operations, the actual and projected costs of the liability from poorly maintained roads, and present a specific plan to reduce its project backlog.

**Prairie City OHV Acquisition On Unapproved Fast Track**

*We recommend a reduction of \$813,000 from the Off-Highway Vehicle (OHV) Fund and the deletion of 8 personnel-years requested for state operation of Prairie City OHV park because acquisition of the property has not been approved by the Legislature. We further recommend that the department report at budget hearings on the source of its authority to enter into an agreement in the current year to operate the park. (Reduce Item 3790-001-263 by \$813,000)*

The budget requests a total of \$813,000 from the OHV Fund to begin state operation of the Prairie City Off-Highway Vehicle park. This amount consists of \$543,000 for 8 PYs and operating costs and \$270,000 for new equipment.

In the past, Sacramento County received OHV local assistance grants from the state for the planning, development, and operation of Prairie City. In April 1986, however, the county closed the park to regular day use because of liability problems, including the unavailability of insurance and a \$2.1 million judgment in a negligence lawsuit. In July 1987, the department obtained a special use permit from the county to operate the

**DEPARTMENT OF PARKS AND RECREATION—Continued**

park for regular day use, although it did not have the staff to resume actual park operations. The department also has begun negotiating with the county to transfer *ownership* of the park to the state.

We have identified two concerns with the proposed staffing and operation of Prairie City as a state OHV park.

**Acquisition Not Yet Approved.** First, the department has not yet submitted any proposal to the Legislature for the acquisition of the property. The department generally must receive legislative approval before it may start proceedings to acquire real property. Given past liability problems and environmental concerns with possible toxic contamination of portions of the property, legislative review and approval is not just a technical requirement. The department reports that it plans to seek urgency legislation to appropriate \$195,000 from the OHV Fund to acquire a portion of the property by reimbursing the county for its contribution to the original purchase cost. At the time this analysis was prepared, however, no legislation had been introduced.

**Current-Year Agreement Not Submitted For Review.** Second, the department's current-year operating agreement with Sacramento County for Prairie City was not submitted to the Legislature or the Public Works Board (PWB) for review and approval. Section 18.10 of the annual Budget Act requires approval of proposed operating agreements prior to the expenditure of any funds to execute the agreement.

**Recommendation.** The Legislature has not authorized the department to acquire or operate Prairie City OHV park. Consequently, the request for staff, operating expenses and equipment appears to be premature. Accordingly, we recommend deletion of the \$813,000 and 8 PYs requested for Prairie City. We further recommend that the department report at budget hearings on the source of its authority to enter into the current-year operating agreement for Prairie City, given the lack of legislative or PWB approval.

**More Information Needed On OHV Resource Management Plan**

*We withhold recommendation on \$718,000 from the OHV Fund and two personnel-years requested for a new resource management program, pending the receipt of a specific workplan and a basis for estimated contract costs.*

The budget requests \$718,000 and 2 PYs to implement a new resources management program in the department's OHV division, as required by Ch 1027/87 (SB 877). The intent of the program is to ensure long-term land resources conservation and wildlife habitat protection within the state OHV system.

The department proposes to use \$611,000 of the requested amount to contract for the first phase of the program, which involves adoption of a soil loss standard and compilation of an initial wildlife inventory to establish baselines for future monitoring. The statute requires the completion of the wildlife inventory by July 1, 1989. The two requested positions would administer the contracts.

The department has not provided adequate information to justify the cost of the contracts or the number of positions requested to administer the work. The only basis given for the \$611,000 contract amount is that the two proposed staff ecologists each could administer about \$300,000 in contracts per year. The only specifics in the budget proposal about this

work are largely a restatement of the program's provisions in the statute. Without (1) information on the overall program plan and (2) a better indication of how the department's budget-year workplan will satisfy the statutory requirements, there is no analytical basis to evaluate whether the proposal is adequate or to estimate contract costs. Consequently, we withhold recommendation on \$718,000 and two PYs requested for the OHV division, pending receipt of this information.

#### State Park Concession Contracts

*We recommend that the Legislature adopt supplemental report language prohibiting the department from bidding a new concession contract for expanding the Lime Saddle Marina until the State Park and Recreation Commission amends the general development plan for Lake Oroville SRA to include the expansion. We further recommend that the Legislature adopt supplemental report language expressing approval of the department's seven other proposed concession agreements.*

The Public Resources Code generally authorizes the department to contract for the operation of concessions within the park system. The department is required to prepare an annual report on its concession operations. Table 3 summarizes the findings of the department's draft 1986-87 annual concessions report.

**Table 3**  
**Department of Parks and Recreation**  
**Summary of Concession Operations**  
**1985-86 and 1986-87**  
**(dollars in thousands)**

	1985-86	1986-87	Change from 1985-86	
			Amount	Percent
Number of concession contracts.....	141	140	-1	-0.7%
Gross sales.....	\$39,099	\$41,733	\$2,634	6.7
Revenue to the state.....	\$3,802	\$3,956	\$154	4.1

As shown in Table 3, revenues to the state increased by \$154,000, or 4 percent, from 1985-86 to 1986-87. The following two concessions accounted for 49 percent of the rental revenues to the state in 1986-87: (1) ARA Food Service at Hearst San Simeon State Historic Monument (\$1.2 million), and (2) Bazaar del Mundo in Old Town San Diego State Historic Park (\$698,000).

**New Concession Proposals.** Public Resources Code Section 5080.20 requires that, as part of the budget process, the Legislature review and approve any proposed new or amended concession contract that involves a total investment or estimated annual gross sales in excess of \$250,000. Traditionally, the Legislature expresses its approval by adopting supplemental report language describing each approved concession. The department has submitted eight proposals for legislative review.

**Lake Oroville Concession Expansion Requires General Plan Amendment.** The department proposes to bid a new 20-year contract for the Lime Saddle Marina concession at Lake Oroville State Recreation Area (SRA) that will require an expansion of marina facilities and associated services, such as day-use areas and parking facilities. The department estimates that expansion of this concession will require a concessionaire to provide a capital investment of \$3.3 million in addition to initial start-up costs. Based on projected annual gross sales of \$1.3 million and a



**DEPARTMENT OF PARKS AND RECREATION—Continued**

minimum rental rate of 3 percent of gross sales, the department estimates that the expanded concession could provide rent revenues of about \$38,000 in the first year of the contract.

Public Resources Code Section 5080.03 requires that any concession proposed for a state park unit must be compatible with the unit's general plan, if one exists. Our review indicates that while the general development plan for Lake Oroville SRA, dated August 1973, does include boating activities in the Lime Saddle area, it does not address a major increase in development as contemplated by this concession proposal. Increased development may have significant resource effects which should be considered.

The proposed expansion of the existing marina and related facilities appears to be warranted on an economic basis. However, the department should not proceed with the expansion until other potential effects are evaluated through the general planning process. Accordingly, we recommend that the Legislature adopt supplemental report language prohibiting the department from bidding a new concession contract until the State Park and Recreation Commission amends the general development plan for Lake Oroville SRA to include this expansion of facilities at Lime Saddle Marina.

**Other Proposals.** Our review indicates that the department's seven other concession proposals are reasonable and that the rental terms are appropriate. Accordingly, we recommend the Legislature adopt supplemental report language expressing approval of these 1988-89 concession proposals:

**1. Doheny State Beach—Beach and Camp Store.** The department proposes to bid a new 10-year concession contract for the existing beach and camp store at Doheny State Beach in Orange County. The proposed bid prospectus requires a minimum acceptable rent of \$30,000 annually or 12 percent of gross sales, whichever is greater.

**2. Folsom Lake SRA—Aquatic Center.** The department proposes to enter into a 15-year operating agreement with California State University, Sacramento for continued development, operation and maintenance of the Lake Natoma Aquatic Center at Folsom Lake SRA. Although the department will not require rent, under the agreement all revenues from the center will be used for operation, maintenance or development of the facility. In 1986-87, revenues from the center were \$138,000.

**3. Old Town San Diego State Historic Park (SHP)—Mexican Crafts Center.** The department proposes to bid a new five-year concession contract for an existing facility, known as El Centro Artesano, which currently sells Mexican artifacts and pottery in Old Town San Diego SHP. The department proposes a minimum acceptable rent of 6 percent of gross sales (estimated at \$300,000 in the first year). Consequently, the estimated minimum annual rental is \$18,000.

**4. Old Town San Diego SHP—Shopping Complex.** The department proposes to bid a new 10-year concession contract for the existing shopping complex in Old Town San Diego State Historic Park currently known as "Squibob Square." The department proposes a minimum acceptable rent of 3 percent of gross sales (estimated at \$1,775,000 in the first year). Consequently, the estimated minimum annual rental is \$53,250.

**5. Old Town San Diego SHP—Art Gallery and Gift Shop.** The department proposes to bid a new five-year concession contract for the existing concession in Old Town San Diego SHP currently known as “Rudolph Schiller’s Photo Parlor and Mercantile.” This facility currently serves as an art gallery, gift shop and old-fashioned photography shop. The department proposes a minimum acceptable rent of 5 percent of the first \$200,000 and 7 percent of gross sales exceeding \$200,000. Since estimated gross sales are \$250,000 in the first year, the estimated minimum annual rental is \$13,500.

**6. Railtown 1897 SHP—Excursion Trains.** The department proposes to negotiate a five-year concession contract for steam train excursions and related interpretive activities at Railtown 1897 SHP in Tuolumne County. Under Public Resources Code Section 5080.16(d), the department may suspend the usual bid process and negotiate directly with potential concessionaires when a particular interpretive purpose requires special experience or skills. The proposal appears to be consistent with this provision since possible concessionaires must have experience in vintage railroad operations. The department estimates that resumption of steam train operations will require the concessionaire to invest about \$100,000 for start-up costs. Projected state revenues will be minimal.

**7. Angel Island State Park—Ferry Service.** The department proposes to bid a five-year contract for the existing ferry service concession for Angel Island State Park located in San Francisco Bay. The new contract also will require an expansion of this service to include routes from Sausalito, Larkspur, Berkeley and Oakland, and to add the new pier at East Garrison as a port of call on Angel Island. The proposal is consistent with the approved general plan for the park. Based on projected gross sales of \$1.1 million and a minimum rental rate of 5 percent of gross sales, the department estimates that the expanded concession could provide rent revenues of \$55,000 in the first year of the contract.

#### **New Los Angeles County Beaches Operating Agreement In Effect**

Since 1949, the department and the County of Los Angeles have been partners in a number of agreements under which the county has assumed responsibility for the operation and maintenance of certain state-owned beaches. In so doing, the county also has retained all beach and concession revenues. (The state has a number of similar operating agreements with other cities, counties and special districts.)

On June 30, 1981, the prior 25-year contract between the department and the county expired. The county continued to operate the beaches while negotiating a new operating agreement with the department. This agreement, which now covers Dan Blocker Memorial, Las Tunas, Malibu Lagoon, Manhattan, Point Dume, Redondo, and Topanga State Beaches, finally was reached in October 1987 and was approved by the Department of General Services in December 1987.

The new agreement, which also has a 25-year term, delegates to the county the day-to-day management of these beaches, including specified upkeep and maintenance duties. In addition, the agreement allocates liability to the county and state based on their respective responsibilities as specified in the agreement. The agreement also requires the department to “use its best efforts” to obtain an ongoing appropriation of \$1 million in the annual budget for projects at the seven beaches, beginning in 1987-88. The department’s operating agreements with local agencies

**DEPARTMENT OF PARKS AND RECREATION—Continued**

usually do not incorporate this type of payment. Moreover, the agreement calls for additional appropriations over the first three years of its term so that the total amount appropriated is sufficient to cover an estimated \$5.1 million in specified deferred maintenance projects. In anticipation of the new agreement, the Legislature appropriated \$1 million in the 1987 Budget Act for minor capital outlay projects at Manhattan and Redondo State Beaches, with language making the funding contingent upon the execution of a new operating agreement.

The budget proposes another \$1 million for projects at Topanga and Malibu Lagoon State Beaches in 1988-89, in accordance with the new agreement. In order to meet the intent of the agreement, the department would have to request a total of \$3.1 million for Los Angeles beach projects in 1989-90.

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**DEPARTMENT OF PARKS AND RECREATION—CAPITAL OUTLAY**

Item 3790-301 from the  
Parklands (Bond) Fund of  
1984 and various funds

Budget p. R 158

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Requested 1988-89.....	\$18,075,000
Recommended approval.....	13,918,000
Recommended reduction.....	2,496,000
Recommendation pending.....	1,661,000

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**SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS**

*Analysis  
page*

1. **Technical Reductions. Reduce various items by a total of \$77,000.** Recommend technical reductions to two projects to reflect better cost information. 402

**Off-Highway Vehicle Fund**

2. **Opportunity Purchases. Reduce Item 3790-301-263(3) by \$100,000.** Recommend deletion because sufficient funds are already available based on past spending activity. 404

**Parklands (Bond) Fund of 1980**

3. **Carmel River SP—Day-Use and Parking Facilities.** Withhold recommendation on \$139,000 requested in Item 3790-301-721(1), pending determination of final project scope. 404

**Parklands (Bond) Fund of 1984**

4. **Bidwell Mansion SHP—Visitor Center. Reduce Item 3790-301-722(1) by \$81,000. Add Item 3790-490-722.** Recommend reduction to reflect the latest project cost estimate and already available funds. Further recommend the addition of a new item to reappropriate current-year construction funds needed in 1988-89. 405
5. **China Camp SP—Day-Use Facilities.** Withhold recommendation on \$206,000 requested in Item 3790-301-722(3), pend- 406

- ing receipt and review of the department's revised proposal.
6. Crystal Cove SP—Erosion Control and Landscaping. Withhold recommendation on \$272,000 requested in Item 3790-301-722(6), pending receipt and review of completed project plans and estimates. 406
  7. Patrick's Point SP—Entrance and Maintenance Facilities. Withhold recommendation on \$800,000 requested in Item 3790-301-722(10), pending receipt and review of completed preliminary plans and estimates. Further recommend that the department report during budget hearings on why it proposes to reduce the legislatively approved project scope. 406
  8. Salt Point SP—Day-Use Rehabilitation. Withhold recommendation on \$94,000 requested in Item 3790-301-722(13), pending receipt and review of the department's revised proposal. 407
  9. *Storm Damage Repairs—Minor Projects. Reduce Item 3790-301-722(15) by \$2,000,000.* Recommend deletion because the proposal represents unnecessary contingency budgeting. 407
- State, Urban, and Coastal Park Fund (1976 Bond)**
10. Energy Efficiency Program—Minor Projects. Withhold recommendation on \$150,000 requested in Item 3790-301-742(6), pending receipt and review of specific project information and estimates of energy cost savings. 408
  11. *Minor Projects. Reduce Item 3790-301-742(8) by \$237,000.* Recommend reduction because department has overbudgeted amount needed for cost increases due to inflation. 408

## OVERVIEW OF THE BUDGET REQUEST

The budget proposes appropriations totaling \$18.1 million from six different funding sources for capital outlay for the Department of Parks and Recreation in 1988-89. The department proposes to use these funds for 18 major projects, various minor development and acquisition projects, and project planning. Most of the funds are provided from the Parklands (Bond) Fund of 1984 (\$8.6 million) and the State, Urban, and Coastal Park (Bond) Fund (\$7 million).

**Table 1**  
**Department of Parks and Recreation**  
**1988-89 Capital Outlay Program Summary**  
**(dollars in thousands)**

Item	Funding Source	Budget	Analysis
		Bill Amount	Page
3790-301-263	Off-Highway Vehicle Fund .....	\$1,414	403
3790-301-721	Parklands (Bond) Fund of 1980 .....	339	404
3790-301-722	Parklands (Bond) Fund of 1984 .....	8,636	405
3790-301-733	State Beach, Park, Recreational and Historical Facilities (Bond) Fund of 1974 .....	78	— <sup>a</sup>
3790-301-742	State, Urban, and Coastal Park Fund (1976 Bond) ..	7,008	408
3790-301-890	Federal Trust Fund .....	600	— <sup>a</sup>
Total .....		\$18,075	

<sup>a</sup> Projects not discussed separately. We recommend approval as budgeted.

## DEPARTMENT OF PARKS AND RECREATION—CAPITAL OUTLAY— Continued

For discussion purposes, we have divided the department's program into six parts based on the proposed funding sources for the projects. Table 1 shows the department's total capital outlay request, by funding source, and indicates the page on which the analysis of projects from each funding source begins.

As shown in Table 2, the budget request is significantly below the amounts appropriated for department capital outlay over the past three years. Two factors account for about one-third of the decrease. First, the budget defers construction funding for new large projects by providing money for only design work in the budget year. In addition, certain departmental planning activities which traditionally have been funded in the capital outlay budget instead are funded in the department's support budget in 1988-89. However, even after considering these factors, the department's capital outlay request still represents a significant decrease in new project activity from recent years. For example, in the current year, the department received funds to start work on 27 new major projects. In the budget year, only 11 new major projects are proposed for the state park system. This decrease in project activity is due largely to a decrease in available bond funds.

**Table 2**  
**Department of Parks and Recreation**  
**Amounts Appropriated for Capital Outlay**  
**1985-86 through 1988-89**  
**(dollars in thousands)**

	<i>Amount</i>
1985-86 .....	\$75,506
1986-87 .....	60,020
1987-88 .....	50,973
1988-89 (proposed) .....	18,075

## ANALYSIS AND RECOMMENDATIONS

### Projects Recommended for Approval

Our review of the department's request for 1988-89 indicates that 24 projects totaling \$8,170,000 are reasonable in scope and cost. Accordingly, we recommend approval of these projects in the amounts requested. Table 3 provides a summary of these projects.

### Technical Reductions

*We recommend reductions totaling \$77,000 to eliminate overbudgeting as follows:*

- **Leo Carrillo State Beach (SB), Rehabilitation of Facilities.** The amount needed for preliminary plans and working drawings is \$56,000 less than the amount budgeted, based on a recently completed estimate by the Office of the State Architect (Reduce Item 3790-301-722(8) by \$56,000).
- **Pfeiffer Big Sur State Park (SP), Multi-Agency Facility, Phase I Construction.** The department has overbudgeted by \$22,000 the amount needed for contingencies and for increases in construction costs due to inflation in the budget year. The scope language also should reflect a similar reduction of \$53,000 in phase II costs that will be requested in the following year (Reduce Item 3790-301-742(2) by \$22,000).

**Table 3**  
**Department of Parks and Recreation**  
**1988-89 Capital Outlay Program**  
**Projects Recommended for Approval**  
**(dollars in thousands)**

<i>Item/Project</i>	<i>Budget Bill Amount</i>
3790-301-263—Off-Highway Vehicle Fund	
(1) Budget package/Schematic planning .....	\$50
(2) Minor projects .....	1,214
(4) Pre-budget appraisals .....	50
3790-301-721—Parklands (Bond) Fund of 1980	
(2) Malibu Creek SP, Entrance road construction delay costs (C) .....	200
3790-301-722—Parklands (Bond) Fund of 1984	
(2) Brannan Island SRA, Rehabilitation and replacement of worn-out facilities (PWC) .....	548
(4) Chino Hills SP, Initial development of facilities (C) .....	2,313
(5) Crystal Cove SP, Items to complete, Phase II (C) .....	350
(7) Humboldt Redwoods SP, Bank protection (C) .....	296
(9) Mount Diablo SP, Water system and road study (PW) .....	189
(11) Refugio SB, Rehabilitation and replacement of worn-out facilities, Upcoast campground (PW) .....	152
(12) Regional Indian Museum (Sacramento), Interpretive exhibits, Items to complete (C) .....	120
(14) Budget package/Schematic planning .....	150
3790-301-733—State Beach, Park, Recreational and Historical Facilities (Bond) Fund of 1974	
(1) Colonel Allensworth SHP, Reconstruction of historic hotel (PW) .....	78
3790-301-742—State, Urban, and Coastal Park Fund (1976 Bond)	
(1) Hearst San Simeon SHM, Continuing rehabilitation (C) .....	500
(3) Accessibility expansion program, Minor projects .....	200
(4) Acquisition costs (A) .....	200
(5) Budget package/Schematic planning .....	200
(7) Inholding purchases (A) .....	250
(9) Opportunity purchases (A) .....	250
(10) Pre-budget appraisals (A) .....	60
(11) Topographic surveys (P) .....	200
3790-301-890—Federal Trust Fund	
(1) Anza Borrego Desert SP (A) .....	50
(2) Big Basin Redwoods SP (A) .....	300
(3) California Redwoods Parks (A) .....	250
Total .....	\$8,170

Phase symbols indicate: A=Acquisition; P=Preliminary Plans; W=Working drawings; C=Construction.

**OFF-HIGHWAY VEHICLE FUND**  
**ITEM 3790-301-263**

The budget proposes \$1,414,000 from the Off-Highway Vehicle (OHV) Fund in 1988-89 for minor projects and small acquisitions in the State Vehicular Recreation Area and Trail System, and for planning future projects. Elsewhere, we recommend approval of three appropriations totaling \$1,314,000.

The Off-Highway Motor Vehicle Recreation Commission must review and approve all proposed capital outlay expenditures from the fund

# **DEPARTMENT OF PARKS AND RECREATION—CAPITAL OUTLAY— Continued**

proposed for inclusion in the budget. The proposed projects were approved by the commission at its July 1987 meeting.

## **Opportunity Purchases.....\$100,000**

*We recommend deletion of \$100,000 requested for opportunity purchases, because the department already has sufficient funds from prior-year appropriations based on past spending activity in this area. (Delete Item 3790-301-263(3).)*

The budget requests \$100,000 from the OHV Fund for the acquisition of small properties which may become available on an opportunity basis in the budget year. This type of appropriation generally allows the department to buy small parcels which are adjacent to or surrounded by existing state-owned property, if they are offered for sale unexpectedly. Commission and departmental policy limits the cost of any individual opportunity acquisition to \$100,000.

Based on actual and anticipated activity through the end of the current year, the department will have spent only \$110,000 on OHV opportunity purchases since 1984-85. Because of this slow pace, the department will have an estimated \$160,000 available in the budget year from prior-year appropriations. This carry-over balance is more than twice the amount spent on OHV opportunity purchases in any prior year. Consequently, there does not appear to be any need for \$100,000 more in new funds for OHV opportunity purchases in the budget year, and we recommend deletion of the requested funds.

## **PARKLANDS (BOND) FUND OF 1980 ITEM 3790-301-721**

The department requests appropriations totaling \$339,000 from the Parklands (Bond) Fund of 1980 for two major projects in 1988-89. Elsewhere, we recommend approval of one of these projects in the amount of \$200,000.

## **Carmel River SB—Day-Use and Parking Facilities, Preliminary Plans and Working Drawings.....\$139,000**

*We withhold recommendation on \$139,000 requested in Item 3790-301-721(1) for preliminary plans and working drawings for day-use and parking facilities at Carmel River SB, pending departmental analysis and resolution of project details.*

The budget includes \$139,000 for preliminary plans and working drawings for new parking and day-use facilities at Carmel River SB. The department estimates future construction costs for the project at \$1.3 million.

The proposed project will provide a total of 75 parking spaces in two locations, comfort facilities, beach access trails, and interpretive information for visitors. Currently, visitors park along the shoulder of Highway 1, which creates dangerous traffic situations and degrades the scenic views in the area. The department also indicates that the access situation prevents visitors from being informed properly about the potential hazards of the surf.

The project appears justified in concept. However, several basic aspects of the project scope concerning the location of parking lots and

the method of sewage disposal are undecided at this point. When appropriating design funds, the Legislature defines project scope by adopting language which outlines the facilities to be built and the overall project plan, as well as the future cost of the project. The location and nature of facilities also can affect future operating costs. Consequently, the department should clarify the parking and sewage disposal aspects of this project, so that the Legislature knows the specific project scope when it considers this request. We, therefore, withhold recommendation on the amount requested, pending receipt of the department's analyses and recommendations regarding parking distribution and sewage disposal.

### **PARKLANDS (BOND) FUND OF 1984**

#### **ITEM 3790-301-722**

The budget proposes a total of \$8,636,000 from the Parklands (Bond) Fund of 1984 for various major and minor projects, and planning activities in 1988-89. Elsewhere, we recommend approval of eight projects totaling \$4,118,000, and a technical reduction to one project. The remaining projects are discussed below.

**Bidwell Mansion State Historic Park (SHP), Visitor Center,  
Construction .....\$989,000**

*We recommend a reduction of \$81,000 in the amount requested for construction of a new visitor center at Bidwell Mansion SHP to reflect the latest project cost estimate and already available funds. We further recommend the addition of a new item to the Budget Bill to reappropriate current-year construction funds for the project which will not be used before the end of 1987-88. (Reduce Item 3790-301-722(1) by \$81,000. Add Item 3790-490-722.)*

The budget includes \$989,000 to construct a new visitor center at Bidwell Mansion SHP in Chico. The department proposes to move visitor service activities from the historic mansion and then restore the mansion to its original appearance at a later date. The Legislature provided \$291,000 in the current year for design work and construction of parking area improvements to make space for the new visitor center.

**Completed Plans Have Lower Cost.** Preliminary plans for the visitor center were completed recently. The project appears consistent with the scope as defined by the Legislature last year. The revised project estimate based on the completed plans indicates a need for a total of \$1,015,000 for all construction-related work. The department already received \$107,000 of this amount in the current year for parking area improvements. Consequently, a balance of only \$908,000 is needed to fund the construction work. We therefore recommend a reduction of \$81,000 in the amount requested in the budget for Bidwell Mansion.

**Reappropriation Needed.** The department received the partial construction funding in the current year because it anticipated making the parking improvements in advance of building the new visitor center. The department now indicates, however, that all construction work will be handled in one contract in the budget year. Normally when construction work does not begin in the year that funds are appropriated, the funds revert. In order to assure that the current-year construction funds of \$107,000 still are available in the budget year, we recommend the addition of Item 3790-490-722 to the Budget Bill to reappropriate these funds.



# **DEPARTMENT OF PARKS AND RECREATION—CAPITAL OUTLAY— Continued**

**China Camp SP, Day-Use Facilities, Preliminary Plans and  
Working Drawings.....\$206,000**

*We withhold recommendation on \$206,000 requested in Item 3790-301-722(3) for rehabilitation and expansion of day-use facilities at China Camp SP, pending receipt and review of the department's revised proposal.*

The budget includes \$206,000 for preliminary plans and working drawings to rehabilitate and improve day-use facilities at China Camp SP, in Marin County. The budget amount is based on the department's estimate of \$1 million to complete the project. However, based on the Office of State Architect's (OSA) recent estimate for the project, a total of over \$1.5 million would be needed for all phases of work. The department indicates that the OSA's estimate significantly exceeds the amount of bond funds which it proposes to allocate to this project. Consequently, the department indicates that it will revise the project proposal to reduce its cost. We withhold recommendation on the \$206,000 requested for design work, pending receipt and review of the department's revised proposal.

**Crystal Cove SP, Erosion Control and Landscaping, Preliminary  
Plans, Working Drawings, and Construction.....\$272,000**

*We withhold recommendation on \$272,000 requested in Item 3790-301-722(6) for miscellaneous improvements at Crystal Cove SP, pending receipt and review of completed project plans and estimates.*

The department requests \$272,000 for miscellaneous improvements, including erosion control measures, landscaping, and vehicle control improvements, at Crystal Cove SP in Orange County. The proposed project would enhance and protect recent development work at the park.

At the time this analysis was prepared, the OSA had not completed plans and budget estimates for the proposed work. Without this information, we have no basis for evaluating the requested level of funding or the project scope. The department indicates that this information should be available for review prior to budget hearings. Accordingly, we withhold recommendation on this request, pending receipt of the OSA's plans and estimates.

**Patrick's Point SP, Entrance and Maintenance Facilities,  
Construction.....\$800,000**

*We withhold recommendation on \$800,000 requested in Item 3790-301-722(10) for construction of new entrance and maintenance facilities at Patrick's Point SP, pending receipt and review of completed preliminary plans and estimates. We further recommend that the department report during budget hearings on why it proposes to reduce the legislatively approved scope of this project.*

The budget includes \$800,000 to construct new entrance and maintenance facilities at Patrick's Point SP in Humboldt County. In particular, the project would provide a new contact station and entry parking and would relocate maintenance facilities from the visitor use area to a more removed location. The Legislature provided \$153,000 in the 1987 Budget

Act for preliminary plans and working drawings for a larger project at Patrick's Point which included these facilities.

***Department Has Reduced Project Scope Arbitrarily.*** In approving design funds last year, the Legislature approved the department's proposed project scope which included the entrance and maintenance facilities and a new visitor center, with a total estimated future construction cost of \$1,370,000. The department now indicates that it has reduced the amount of bond funds it proposes to allocate to the construction of the project to only \$800,000. To meet the lower construction allocation, the department proposes to reduce the scope of the project by deleting the visitor center.

In effect, the department's proposal to reduce the scope of this project enables it to redirect \$570,000 to some other project or projects which have not been considered or approved by the Legislature. We, therefore, recommend that the department report during budget hearings on its reasons for deleting the visitor center included in the project scope approved by the Legislature.

***Preliminary Plans Not Yet Completed.*** At the time this analysis was prepared, the OSA had not completed the project's preliminary plans which were funded in the current year. These documents should be available prior to budget hearings, and will provide the best available information on how much should be budgeted for construction of either the original or reduced project. Accordingly, we withhold recommendation on the \$800,000 requested for construction at Patrick's Point SP.

**Salt Point SP, Day-Use Rehabilitation, Preliminary Plans and Working Drawings.....\$94,000**

***We withhold recommendation on \$94,000 requested in Item 3790-301-722(13) to improve day-use and overnight facilities at Salt Point SP, pending receipt and review of the department's revised proposal.***

The budget includes \$94,000 for preliminary plans and working drawings to rehabilitate and improve day-use and camping facilities at Salt Point SP in Sonoma County. The budget amount is based on the OSA's estimate for the project. The department indicates that the total project cost based on the OSA's estimate significantly exceeds the amount of bond funds which it proposes to allocate to this project. Consequently, the department plans to revise the project proposal to reduce its cost. We withhold recommendation on the \$94,000 requested for design work, pending receipt and review of the department's revised proposal.

**Storm Damage Repairs, Minor Projects.....\$2,000,000**

***We recommend deletion of \$2 million requested in Item 3790-301-722(15) for minor projects to repair storm damage because the request represents unnecessary contingency budgeting.***

The department requests \$2 million to repair existing public use and administrative facilities "in the event of additional storm damage prior to the budget year." No specific projects are identified. Instead, the department indicates it will use the funds on an "as required basis."

Appropriating a lump sum to the department, with no project identification, removes legislative control and review over the expenditure of the funds. Under the budget proposal, the department would decide how and where to spend this money. These decisions may not coincide with the Legislature's priorities in dealing with storm damage repairs.

# **DEPARTMENT OF PARKS AND RECREATION—CAPITAL OUTLAY— Continued**

We recognize that severe storms could damage departmental facilities before the beginning of 1988-89. However, the winter storm season will be well over before the Legislature concludes deliberations on the 1988-89 budget. If storm damage does occur this year, the department still would have time to make a preliminary assessment of the actual damage and submit specific funding requests to the Legislature for inclusion in the 1988 Budget Bill. Further, with respect to any storm damage that may occur in 1988-89, the Department of Finance can allocate funds to the department from the reserve for contingencies or emergencies to address urgent needs, as has been done in the past.

For the reasons cited above we recommend deletion of the requested \$2 million in contingency funds for storm damage repairs.

## **STATE, URBAN, AND COASTAL PARK FUND (1976 BOND) ITEM 3790-301-742**

The department requests \$7,008,000 from the State, Urban, and Coastal Park Fund for two major projects, various minor projects, small acquisitions, and project planning and development in 1988-89. Elsewhere, we recommend approval of eight proposals totaling \$1,860,000, and a technical reduction to one project. The remaining two proposals are discussed below.

### **Energy Efficiency Program, Minor Projects .....\$150,000**

*We withhold recommendation on \$150,000 requested in Item 3790-301-742(6) for minor projects to increase energy conservation in state parks, pending receipt and review of information on specific proposed projects and their associated energy savings.*

The budget includes \$150,000 for minor projects throughout the state park system to modify existing facilities to make them more energy efficient. The department indicates that the funds would be used to modify lighting and heating systems, add insulation to buildings and piping, and weatherize structures.

The department has provided a list of potential projects totaling over \$600,000. However, specific projects and their associated energy cost savings have not been identified. The department recently contacted the Department of General Services, Office of Energy Assessments for assistance in refining the project list and establishing the projects' cost-effectiveness. This information is needed to determine whether projects merit funding. The department states that the results of the evaluation will be available for review prior to budget hearings. Consequently, we withhold recommendation on the \$150,000 requested for energy-related minor projects, pending receipt and review of the specific project information.

### **Minor Projects .....\$4,748,000**

*We recommend a reduction of \$237,000 in the amount requested for minor projects, because the budget includes an excessive amount for anticipated inflation in the cost of constructing projects (Item 3790-301-742(8)).*

The department requests \$4,748,000 for 60 minor projects to be undertaken throughout the state park system in 1988-89. These minor

capital outlay projects (costing \$200,000 or less per project) include (1) health and safety projects, (2) protection of park resources, (3) replacement of worn-out facilities, (4) historic restorations, and (5) miscellaneous improvements.

The individual projects appear reasonable in scope. However, in calculating the amount needed for the work, the department added 10 percent for estimated cost increases due to inflation over the 22-month period from the date of the estimate to the average date of execution. Based on the actual increases in the construction cost index over the last three years, we estimate construction costs will increase by only 4 percent over the same time period. Consequently, we recommend a reduction of \$237,000 in the amount requested for minor projects to reflect a more reasonable estimate of the effects of inflation through the budget year.

#### Supplemental Report Language

For purposes of project definition and control, we recommend that the fiscal subcommittees adopt supplemental report language which describes the scope of each of the capital outlay projects approved in each item. This would be consistent with actions taken by the Legislature in prior years.

### Resources Agency

#### SANTA MONICA MOUNTAINS CONSERVANCY

Item 3810 from the General  
Fund and the Santa Monica  
Mountains Conservancy Fund

Budget p. R 170

Requested 1988-89 .....	\$618,000
Estimated 1987-88 .....	601,000
Actual 1986-87 .....	583,000
Requested increase (excluding amount for salary increases) \$17,000 (+2.8 percent)	
Total recommended reduction .....	None

#### 1988-89 FUNDING BY ITEM AND SOURCE

Item—Description	Fund	Amount
3810-001-001—Support	General	\$253,000
3810-011-941—Support	Santa Monica Mountains Con- servancy	325,000
Reimbursements	—	<u>40,000</u>
Total		\$618,000

#### GENERAL PROGRAM STATEMENT

Chapter 1087, Statutes of 1979, established the Santa Monica Mountains Conservancy (SMMC) 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.

**SANTA MONICA MOUNTAINS CONSERVANCY—Continued**

The conservancy purchases lands and provides grants to state and local agencies and nonprofit organizations to further the purposes of the federal Santa Monica Mountains Comprehensive Plan. It promotes the objectives of these programs by (1) acquiring and consolidating subdivided land, (2) acquiring land for eventual sale or transfer to other public agencies, (3) creating buffer zones surrounding federal and state park sites, and (4) restoring natural resource areas. The conservancy has a governing board of nine voting members.

The conservancy, located in Los Angeles, has 9.2 personnel-years in the current year.

**ANALYSIS AND RECOMMENDATIONS**

*We recommend approval.*

The budget requests a total of \$618,000 from the General Fund (\$253,000), the Santa Monica Mountains Conservancy Fund (\$325,000), and reimbursements (\$40,000) for support of the conservancy in 1988-89. Table 1 shows the conservancy's program funding and staffing for the past, current and budget years. As shown in Table 1, the requested amount is comparable to estimated current-year expenditures—an increase of \$17,000, or 2.8 percent.

**Table 1**  
**Santa Monica Mountains Conservancy**  
**Summary of Expenditures and Funding Sources**  
**1986-87 through 1988-89**  
**(dollars in thousands)**

	<i>Expenditures</i>			<i>Percent Change From 1987-88</i>
	<i>Actual 1986-87</i>	<i>Est. 1987-88</i>	<i>Prop. 1988-89</i>	
Operating expenditures.....	\$583	\$601	\$618	2.8%
Staff (personnel-years) .....	9.3	9.2	9.2	—
Funding Sources				
General Fund.....	\$232	\$247	\$253	2.4%
Santa Monica Mountains Conservancy Fund.....	309	314	325	3.5
Reimbursements .....	42 <sup>a</sup>	40	40	—

<sup>a</sup> Includes \$10,000 transferred to the conservancy's support budget from capital outlay appropriations.

The budget proposes no staffing changes and does not include any new funding for capital outlay projects. Further, the conservancy received only \$1.4 million in the current year for one acquisition project, so large carry-over balances are not likely. Thus, the conservancy expects to continue to focus on other activities, such as property management and open-space dedication, in 1988-89. The California Wildlife, Coastal, and Park Land Conservation (Bond) Act initiative on the June 1988 statewide ballot would provide \$30 million to the SMMC, but under the provisions of the initiative these funds would not be available for appropriation until 1989-90. The conservancy also indicates that funds for new acquisitions *may* be available in the budget year if it can sell conservancy holdings (other than those set aside for repayment in the Circle X Ranch agreement, discussed below).

**Circle X Ranch Repayment**

The 1986 Budget Act appropriated \$5.9 million in bond funds to the State Coastal Conservancy for a local assistance grant to the joint powers authority established between the SMMC and the Conejo Recreation and Park District, for the acquisition of the Circle X Ranch in Ventura County. Accompanying Budget Act language required the SMMC to repay the Coastal Conservancy's bond fund within three years of the appropriation, and that the SMMC enter into an agreement with the Coastal Conservancy to ensure this repayment.

In January 1987, the two conservancies entered into the required agreement. Pursuant to the agreement, the SMMC will repay at least \$3 million of the grant by July 1, 1988 from the proceeds of the sale of property near Camarillo State Hospital and other properties, if necessary. The balance is due to the Coastal Conservancy by December 31, 1988 from other property sales or new bond act funds.

The SMMC advises that it is proceeding with the sale of the Camarillo property, but that the proceeds will be less than \$3 million. Consequently, it plans to sell properties at Zuma Canyon and Deer Creek to meet the repayment schedule. Any remaining balance will come from the sale of the Wilacre Park property. Alternatively, the initiative bond measure on the June 1988 ballot would repay the entire \$5.9 million to the Coastal Conservancy using new bond funds, and the SMMC would be reimbursed for any funds already paid to the Coastal Conservancy. If the voters approve that bond measure, then any proceeds from property sales would be available for appropriation to the SMMC for new projects.

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**Resources Agency**
**SAN FRANCISCO BAY CONSERVATION AND DEVELOPMENT  
COMMISSION**

Item 3820 from the General  
Fund

Budget p. R 173

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Requested 1988-89 .....	\$1,736,000
Estimated 1987-88 .....	1,607,000
Actual 1986-87 .....	1,642,000
Requested increase (excluding amount for salary increases) \$129,000 (+8.0 percent)	
Total recommended reduction.....	None

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**1988-89 FUNDING BY ITEM AND SOURCE**

Item—Description	Fund	Amount
3820-001-001—Support	General	\$1,536,000
Reimbursements	—	200,000
Total		\$1,736,000

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**SAN FRANCISCO BAY CONSERVATION AND DEVELOPMENT  
COMMISSION—Continued****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 and all levels of government in the Bay Area. The BCDC implements and updates the San Francisco Bay Plan and the Suisun Marsh Protection Plan. Under these plans, the BCDC regulates:

1. All filling and dredging activities in the San Francisco, San Pablo, and Suisun Bays including specified sloughs, creeks, and tributaries.
2. Changes in the 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 is located in San Francisco and has 24.5 personnel-years (PYs) in the current year.

**OVERVIEW OF THE BUDGET REQUEST**

The budget proposes total expenditures of \$1.7 million for support of the BCDC in 1988-89. This is an increase of \$129,000, or 8.0 percent, from total estimated current-year expenditures. Proposed expenditures consist of \$1.5 million from the General Fund and \$200,000 in reimbursements. The reimbursements received by the BCDC are from federal Coastal Zone Management Act (CZMA) funds allocated by the Coastal Commission. The Coastal Commission is the single state agency designated to receive CZMA funds.

The \$129,000 increase in the BCDC's 1988-89 budget consists of: (1) \$62,000 in budget change proposals, primarily to add one staff counsel position to the commission's enforcement section and (2) \$67,000 in administrative adjustments, including a technical adjustment to reduce salary savings by \$32,000 (resulting in an increase of 0.8 PY) to better reflect staffing experience. The budget requests a total staffing increase of 1.7 PYs due to the new staff counsel position and the salary savings adjustment.

**ANALYSIS AND RECOMMENDATIONS**

*We recommend approval.*

Our analysis indicates that the budget request for the BCDC appears reasonable and is consistent with statutory mandates.

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## Resources Agency

## DEPARTMENT OF WATER RESOURCES

Item 3860 from the General  
Fund and various funds

Budget p. R 175

Requested 1988-89.....	\$811,123,000
Estimated 1987-88 .....	740,985,000
Actual 1986-87 .....	596,122,000
Requested increase (excluding amount for salary increases) \$70,138,000 (+9.5 percent)	
Total recommended reduction.....	381,000
Recommendation pending .....	3,255,000

## 1988-89 FUNDING BY ITEM AND SOURCE

Item—Description	Fund	Amount
3860-001-001—Support	General	\$30,924,000
3860-001-140—Trinity River fish and wildlife restoration, urban streams flood manage- ment	Environmental License Plate	625,000
3860-001-144—Agricultural water conservation, water resources planning	California Water	3,255,000
3860-001-740—Water conservation	1984 Clean Water Bond	31,000
3860-001-744—Water conservation, groundwater recharge	1986 Water Conservation and Water Quality Bond	424,000
3860-001-890—Support	Federal Trust	1,804,000
3860-001-940—Water conservation	Renewable Resources Invest- ment	1,612,000
Water Code Section 13861 (a)—support	Safe Drinking Water Bond	1,623,000
Water Code Section 12938—San Joaquin Drain- age program, drainage treatment	California Water	1,262,000
Ch 954/86—Agricultural water conservation	Renewable Resources Invest- ment	250
Reimbursements	—	6,118,000
Subtotal, support		(\$47,928,000)
3860-101-001—Local assistance, Delta levee sub- ventions	General	1,500,000
3860-101-036—Local assistance, flood control subventions	Special Account for Capital Outlay, General	13,000,000
3860-101-744—Water conservation, groundwater recharge loans	1986 Water Conservation and Water Quality Bond	28,500,000
3860-490—Reappropriation	1984 Clean Water Bond	4,000,000
Water Code Section 13861 (a)—Safe Drinking Water loans and grants	Safe Drinking Water Bond	66,550,000
Subtotal, local assistance		(\$113,550,000)
State Water Project		\$649,645,000
Total Request		\$811,123,000



**DEPARTMENT OF WATER RESOURCES—Continued****SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS**Analysis  
page

1. *Delta Levees Subvention Program. Increase Item 3860-101-001 by \$200,000.* Recommend augmentation because the Legislature has consistently funded this program and additional subvention funds will be required in the budget year. 417
2. *Indirect Costs. Reduce Item 3860-001-001 by \$153,000, Item 3860-001-144 by \$206,000, Item 3860-001-744 by \$167,000, Item 3860-001-940 by \$28,000, Item 3860-001-890 by \$5,000 and Item 3860-001-995 by \$22,000.* Recommend reduction because no increase is proposed in activities funded from indirect costs, and increase is unnecessary. 418
3. *Personal Services.* Recommend the department report at hearings on the full amount of personal services costs for the San Joaquin Drainage and Delta Levees Inspections Programs and present a corrected budget proposal to the Legislature. 419
4. *California Water Fund.* Withhold recommendation on Item 3860-001-144 which appropriates \$3,255,000 from the California Water Fund, pending receipt of a revised budget request from the department. 419

**GENERAL PROGRAM STATEMENT**

The Department of Water Resources (DWR) (1) protects and manages California's water resources, (2) implements the State Water Resources Development System, including the State Water Project, (3) maintains public safety and prevents damage through flood control operations, supervision of dams, and safe drinking water projects, and (4) furnishes technical services to other agencies.

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 responsibilities for the construction, maintenance and protection of flood control levees within the Sacramento and San Joaquin River Valleys. The department has 2,650 personnel-years in the current year.

**OVERVIEW OF THE BUDGET REQUEST**

The budget proposes total expenditures of \$811.1 million in 1988-89, an increase of \$70.1 million, or 9.5 percent, from the current-year. The total includes \$649.6 million in expenditures financed with State Water Project (SWP) funds, and \$69.7 million in continuously appropriated funds (primarily bond funds for drinking water loans and grants), \$1.8 million in federal funds and \$6.1 million in reimbursements. Our figure for total expenditures, however, *excludes* \$11.7 million for flood control capital outlay, which the Governor's Budget shows as part of total expenditures. We address the capital outlay budget separately in our analysis of Item 3860-301. Table 1 summarizes the staffing and expenditures for the department from 1986-87 through 1988-89. Table 2 shows the department's proposed budget changes, by funding source, in 1988-89.

**Table 1**  
**Department of Water Resources**  
**Budget Summary<sup>a</sup>**  
**1986-87 through 1988-89**  
**(dollars in thousands)**

	<i>Personnel-Years</i>			<i>Expenditures</i>			<i>Percent</i>
	<i>Actual</i>	<i>Est.</i>	<i>Prop.</i>	<i>Actual</i>	<i>Est.</i>	<i>Prop.</i>	<i>Change</i>
<i>Programs:</i>	<i>1986-87</i>	<i>1987-88</i>	<i>1988-89</i>	<i>1986-87</i>	<i>1987-88</i>	<i>1988-89</i>	<i>From</i>
							<i>1987-88</i>
Continuing, formulation of the California Water Plan .....	219.8	184.7	193.7	\$23,046	\$69,032	\$54,515	-21.0%
Implementation of the State Water Resources Development System .....	1488.1	1539.6	1514.9	532,547	590,067	650,510	10.2
Public safety and prevention of damage (flood control) and dam safety .....	226.9	244.0	248.2	37,155	76,455	101,850	33.2
Services .....	222.5	219.3	213.9	3,335	5,411	4,248	-21.5
Management and administration (distributed) .....	451.9	468.3	479.2	(30,927)	(33,903)	(35,673)	5.2
Totals .....	2,609.2	2,655.9	2,649.9	\$596,083	\$740,965	\$811,123	9.5%
<b>Funding Sources</b>							
General Fund .....				\$30,804	\$30,940	\$32,424	4.8%
Special Account for Capital Outlay .....				11,400	16,336	13,000	-20.4
Environmental License Plate Fund .....				132	508	625	23.0
California Water Fund .....				5,847	3,616	4,517	24.9
Clean Water Bond Fund .....				141	6,103	4,031	-34.0
Public Facilities Account, Natural Disaster Assistance Fund ..				331	—	—	—
1986 Water Conservation and Water Quality Bond Fund .....				299	43,171	28,924	-33.0
Safe Drinking Water (Bond) Fund .....				2,006	40,609	68,173	67.9
Renewable Resources Investment Fund .....				1,199	1,395	1,862	33.5
Federal Trust Fund .....				5,943	1,094	1,804	66.4
Reimbursements .....				5,250	7,106	6,118	-13.9
Subtotals, excludes state water project funds .....				(\$63,352)	(\$150,878)	(\$161,478)	(4.0%)
State water project .....				\$532,731	\$590,087	\$649,645	10.1

<sup>a</sup> Excludes flood control capital outlay

### State Water Project Changes

State Water Project (SWP) revenues are continuously appropriated to the department. The department expects to spend \$650 million for construction, operation, and maintenance of the SWP in 1988-89, an increase of \$59.6 million, or 10 percent over estimated current-year expenditures. These increases are due primarily to construction of the East Branch Enlargement in southern California and increased maintenance activities. The major funding changes proposed for 1988-89 include:

- Development of environmental impact reports for facilities in the West Delta (\$1.2 million).
- Completion of phase II facilities to protect the Suisun Marsh (-\$10.9 million).
- Delta fisheries restoration program (\$1.5 million).
- Additional pumping units at the Delta Pumping Plant (\$6.3 million).
- Completion of North Bay Aqueduct facilities (-\$13.1 million).
- Construction of the East Branch Enlargement in southern California (\$28.8 million)

## DEPARTMENT OF WATER RESOURCES—Continued

Table 2  
Department of Water Resources  
Proposed 1988-89 Budget Changes  
(dollars in thousands)

	General Fund	Calif. Water Fund	Bond Fund	State Water Project Funds	Other Special Funds	Federal Funds and Reim- bursements	Totals
1987-88 Expenditures (Revised) .....	\$30,940	\$3,616	\$89,883	\$590,087	\$18,239	\$8,200	\$740,965
Proposed Changes:							
Workload and Administrative							
Adjustments:							
Salary and staff benefit adjustments .....	408	50	13	2,047	22	15	2,555
Price increase .....	244	58	7	1,223	13	9	1,554
Deletion of one-time expenditures .....	-385	—	—	5	-316	—	-696
Miscellaneous workload changes .....	20	—	-4	27	-14	-625	-596
State Water Project (SWP) Program							
Changes .....	—	1	—	56,256	—	—	56,257
Program Changes							
Increase Trinity River management pro- gram .....	—	—	—	—	418	197	615
Increase water supply evaluation assis- tance to rural counties .....	205	—	—	—	—	75	280
Expand water quality evaluations .....	—	405	—	—	—	—	405
Complete sediment removal in flood- control channels .....	—	—	—	—	-4,375	—	-4,375
Expand agricultural water conservation evaluations .....	—	—	—	—	200	—	200
Decrease in water conservation loans from 1984 bond funds .....	—	—	-2,072	—	—	—	-2,072
Decrease in loans for water conservation and groundwater recharge from 1986 bond funds .....	—	—	-14,247	—	—	—	-14,247
Expand snow data collection capability ..	40	—	—	—	—	—	40
Shift funding for the San Joaquin Valley Drainage Program from SWP .....	—	387	—	—	—	—	387
Decrease grants for flood control on ur- ban streams .....	—	—	—	—	-300	—	-300
Increase flood forecasting and hydrology capabilities .....	420	—	—	—	—	51	471
Flood control study of the American River .....	375	—	—	—	—	—	375
Increase funding for flood control sub- ventions .....	—	—	—	—	1,600	—	1,600
Increase safe drinking water grants .....	—	—	27,548	—	—	—	27,548
Increase data collection efforts on Cali- fornia/Nevada water allocation issues ..	157	—	—	—	—	—	157
1988-89 Expenditures (Proposed) .....	\$32,424	\$4,517	\$101,128	\$649,645	\$15,487	\$7,922	\$811,123
Change from 1987-88:							
Amount .....	\$1,484	\$901	\$11,245	\$59,558	-\$2,752	-\$278	\$70,158
Percent .....	4.8%	24.9%	12.5%	10.1%	-15.1%	-3.4%	9.5%

- Construction of West Branch facilities in southern California (\$2.7 million)
- Increased operation and maintenance activities (\$8.5 million).
- Increased power supply activities (\$6 million)

## ANALYSIS AND RECOMMENDATIONS

We recommend approval of all of the proposed workload and administrative adjustments (shown in Table 2), as well as the following significant program changes which are not discussed elsewhere in this analysis:

- \$1.6 million from SAFCO to increase flood control subventions based on estimates of the amount needed to reimburse local agencies in 1988-89 for the state's share of project costs.
- \$615,000 for the Trinity River Management program to restore fish habitat damaged by water development and logging practices, consisting of \$418,000 from the Environmental License Plate Fund and \$197,000 in federal reimbursements for work assigned to DWR.
- \$280,000 and 3 PYs, consisting of \$205,000 from the General Fund and \$75,000 in reimbursements from local governments, to provide increased assistance to rural counties in conducting groundwater studies.
- \$144,000 from the California Water Fund for 2.9 PYs to expand a pilot groundwater toxic monitoring network statewide.
- \$200,000 and 0.9 PY to provide matching grants to farmers for on-farm agricultural water conservation studies.
- \$471,000 and 1 PY to expand flood forecasting, primarily to purchase a back-up computer and for hydrologic studies of several rivers by the federal government.
- \$375,000 to reimburse the federal government for a flood-control study of the American River.

### Delta Levees Shortchanged

*We recommend an augmentation of \$200,000 to restore funding for the Delta Levees Subventions Program because (1) the amount requested is insufficient to provide the level of local assistance needed, and (2) the Legislature has consistently funded this program. (Increase Item 3860-101-001 by \$200,000).*

The budget requests a total of \$2 million from the General Fund in 1988-89 to fund two programs concerned with levees in the Sacramento-San Joaquin River Delta. This amount consists of (1) \$1.8 million for the Delta Levees Subvention Program (\$1.5 million for subventions to local agencies for the costs of repairing Delta levees, and \$330,000 for program administration), and (2) \$203,000 for inspections of nonproject Delta levees, required by Ch 824/86.

In the current year, the Legislature appropriated \$2 million for the subvention program alone, consisting of \$1.7 million in subvention funds and \$330,000 for program administration. The department is financing levee inspections in the current year with \$160,000 in remaining carry-over funds appropriated by prior legislation.

In 1988-89, the department proposes to fund levee inspections by redirecting \$203,000 from the amount available for the levee repair subventions. Consequently, the amount requested for levee subventions is only \$1.8 million, rather than the \$2 million appropriated in the current year.

**Subvention Funding History.** The Legislature stated its intent in Ch 1654/84 that up to \$2 million should be available annually for reimbursement to local agencies for the cost of repairing Delta levees. In 1984-85, the Legislature provided the full \$2 million for subventions. For 1985-86,

**DEPARTMENT OF WATER RESOURCES—Continued**

however, the department's budget request proposed to fund program administration costs of about \$300,000 from the amount available for subventions, leaving \$1.7 million for subventions. The Legislature restored the subvention amount to \$2 million, but the Governor reduced the appropriation back to \$1.7 million. Since then, the program has continued to receive \$1.7 million for subventions.

**Inspection Recognized as an Additional Cost.** The Legislature enacted Ch 824/86 (AB 3473), which requires the department to inspect nonproject levees (levees that are not part of federal and state flood control projects) to determine their compliance with state standards. When this legislation was before the fiscal committees of the Legislature, analyses by both the Department of Finance and our office identified additional costs of between \$150,000 and \$200,000 annually for these inspections. The bill, however, did not have an appropriation when enacted.

**Additional Subvention Funds Needed.** The budget proposes to fund the inspection program in 1988-89 by reducing the amount for local assistance reimbursements for repairs of Delta levees. Nevertheless, the department indicates that it expects to receive valid claims totaling \$1.7 million from local agencies. Thus, the \$1.5 million proposed for subventions in 1988-89 is likely to fall short of the amount of claims by \$200,000.

**Recommendation.** Because (1) the Legislature consistently has provided at least \$1.7 million for Delta levee subventions, and (2) the department indicates that valid claims will be received for at least \$1.7 million in 1988-89, we recommend an augmentation of \$200,000 from the General Fund for local assistance subventions for the costs of repairing levees in the Delta.

**Indirect Costs Double-Counted**

*We recommend deletion of \$581,000 from various state funds requested for increased indirect costs because no increase is proposed in activities funded from indirect costs, and an increase is unnecessary. (Reduce Item 3860-001-001 by \$153,000, Item 3860-001-144 by \$206,000, Item 3860-001-744 by \$167,000, Item 3860-001-940 by \$28,000, Item 3860-001-890 by \$5,000, and Item 3860-001-995 by \$22,000).*

The department's budget change proposals include a total of \$581,000 from various state funds to increase funding for indirect costs in 1988-89. Indirect costs, as used by DWR, reflect the cost of departmental administrative services (for example, the cost of maintaining the director's office and budget and accounting staff), and many costs that other departments budget directly, such as program management, clerical staff, rent, utilities and communications. The budget, however, does not request any expansion in the department's activities which are paid out of indirect cost charges. Consequently, these costs should remain fixed in the budget year (except for price increases in the base budget). Therefore, the additional \$581,000 requested for indirect costs is unnecessary and should be deleted.

We recommend, therefore, deletion of \$581,000, consisting of \$153,000 from the General Fund, \$206,000 from the California Water Fund, \$167,000 from the Water Conservation and Water Quality Bond Fund, \$28,000 from the Renewable Resources Investment Fund, \$5,000 from federal funds and \$22,000 from reimbursements. The program changes

proposed in the budget may necessitate some reallocation (rather than augmentation) of the existing indirect costs between various state funds and the State Water Project. Accordingly, we also recommend that the committees direct staff and the department to make any necessary technical adjustments to properly allocate indirect costs among funds.

#### **Hidden Costs in General Expenses**

*We recommend that the department report at hearings on the full amount of personal services costs for the San Joaquin Drainage and Delta Levees Inspection Programs and present a corrected budget proposal to the Legislature.*

The department is requesting a total of two positions and \$88,000 in general expenses (not including indirect costs) for two programs—the San Joaquin Drainage Program and the Delta Levees Inspection Program. The State Administrative Manual generally requires departments to fill newly created positions at the minimum step, but DWR plans to fill the positions for these programs with existing staff who are receiving salaries above the minimum step. The department indicates that it has budgeted this difference as general expense. While filling the positions in question above minimum step appears warranted, DWR's budgeting practice does not properly identify personal services costs for new programs, and thus hampers legislative review of its budget proposals. Therefore, we recommend that the department report at budget hearings on the full amount of personal services costs for the San Joaquin Drainage Program and the Delta Levees Subvention Program, and provide the Legislature with revised budget displays that correctly identify personal services costs and general expenses for these two budget proposals.

#### **Department Revising California Water Fund Request**

*We withhold recommendation on Item 3860-001-144, which appropriates \$3,255,000 from the California Water Fund, pending receipt of a revised budget request from the department.*

The Budget Bill includes a proposed appropriation of \$3,255,000 to the department from the California Water Fund (CWF), which receives tidelands oil revenue. The budget also shows that DWR proposes to spend \$1,262,000 from the CWF in 1988-89 under its continuous appropriation authority. The continuous appropriation allows DWR to spend CWF money for State Water Project purposes, but such expenditures eventually must be repaid to the CWF from project revenues.

The department now indicates that it will revise the amount of its requested Budget Bill appropriation to correct several errors. For example, it appears that \$387,000 included in the proposed budget appropriation for the San Joaquin Valley Drainage Program should have been reflected instead as a project expenditure under the continuous appropriation. Consequently we withhold recommendation on the CWF budget appropriation pending receipt of the department's revisions.

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**DEPARTMENT OF WATER RESOURCES—CAPITAL OUTLAY**

Items 3860-301 and 3860-491  
from the General Fund,  
Special Account for Capital  
Outlay and Other Funds

Budget p. R 191

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Requested 1988-89.....	\$11,680,000
Recommended approval.....	8,380,000
Recommended change in funding source.....	700,000
Recommendation pending.....	2,600,000

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**SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS**
*Analysis  
page*

1. San Joaquin River Channel Project. Withhold recommendation on \$300,000 pending receipt of information from the Reclamation Board and State Lands Commission on (1) the availability of mitigation lands and (2) the funding requirements of the project in 1988-89. Recommend adoption of supplemental report language directing the board to develop a methodology for allocating future maintenance costs. 421
2. Merced County Streams Project. Withhold recommendation on reappropriation of \$2.3 million pending receipt of (1) information on the status of Merced County's financing plan and (2) funding requirements of the project in 1988-89. 423
3. Assurances for Cost-Sharing Requirements. Recommend enactment of legislation to permit the recovery of all funds required of local sponsors for flood control projects in the event of unfulfilled obligations. 424
4. *Riparian Vegetation Lands. Reduce Item 3860-301-140 by \$700,000 and increase Item 3860-301-036 by the same amount.* Recommend change to a more appropriate funding source for flood-control activities. 425

**OVERVIEW OF THE BUDGET REQUEST**

The budget requests capital outlay funds totaling \$11.7 million to fund five projects in 1988-89. The request consists of (1) \$8.7 million in new appropriations from the Special Account for Capital Outlay (SAFCO) for three projects, (2) reappropriations totaling \$2.3 million from SAFCO for the Merced County Streams Improvement Project, and (3) \$700,000 from the Environmental License Plate Fund (ELPF) to purchase lands with riparian vegetation for flood control.

Table 1 shows the department's total capital outlay request, by funding source and project.

The Reclamation Board, within the Department of Water Resources, acts as the nonfederal sponsor for flood control projects constructed by the U.S. Army Corps of Engineers in the Sacramento and San Joaquin River systems.

**Table 1**  
**Department of Water Resources**  
**1988-89 Capital Outlay Program Summary**  
**(dollars in thousands)**

<i>Item</i>	<i>Funding Source</i>	<i>Project(s)</i>	<i>Budget Bill Amount</i>
3860-301-036	SAFCO	<ul style="list-style-type: none"> <li>• Sacramento Riverbank Protection</li> <li>• Fairfield Vicinity Streams</li> <li>• San Joaquin River Channel Clearing</li> </ul>	\$4,230 4,150 300
3860-491-036	Reappropriation, SAFCO	<ul style="list-style-type: none"> <li>• Merced County Streams</li> </ul>	2,300
Subtotal, SAFCO.....			(\$10,980)
3860-301-140	ELPF	<ul style="list-style-type: none"> <li>• Sacramento River Riparian Vegetation Purchases</li> </ul>	700
Total .....			<u>\$11,680</u>

Under state law, the board pays all of the nonfederal costs for some projects and shares costs with local interests for other projects. In either case, the board's contribution is budgeted as a capital outlay expenditure. Outside the central valley area, local agencies act as the nonfederal sponsor and receive state funds in the form of subventions. These monies are budgeted as local assistance in the Department of Water Resources' budget.

## ANALYSIS AND RECOMMENDATIONS

### Projects Recommended for Approval

Our review of the department's budget for 1988-89 indicates that requests for two projects totaling \$8.4 million are reasonable in scope and cost and are consistent with state and federal funding requirements. Accordingly, we recommend approval of the following projects in the amounts requested:

- Sacramento Riverbank Protection Project (\$4,230,000).
- Fairfield Vicinity Streams Project (\$4,150,000).

### San Joaquin River Channel Project

**Item 3860-301-036 .....\$300,000**

*We withhold recommendation on funding for the San Joaquin River Channel project, pending receipt of information concerning (1) the status of negotiations with the State Lands Commission on the availability of mitigation lands for the project, and (2) the funding requirements for the project in the budget year. With regard to future expenditures, we recommend that the Legislature adopt supplemental report language directing the Reclamation Board to provide a report on allocating project maintenance costs.*

The budget requests \$300,000 for the San Joaquin River Channel Project, which was authorized by federal law (PL 98-63) and by Ch 1530/84. The project consists generally of removing vegetation and sediment to increase the flow capacity of the river channel and thereby reduce the chance of levee failure or seepage.

The total cost of the project (including past emergency work) is \$5 million, with a nonfederal share of \$1 million for the current portion of the project. The nonfederal share consists of \$400,000 for lands, easements, rights-of-way and relocations (LERRs) for the channel work; and environmental mitigation lands valued at \$600,000 by the U.S. Army



**DEPARTMENT OF WATER RESOURCES—CAPITAL OUTLAY—Continued**

Corps of Engineers. In the current year, the Reclamation Board has an appropriation of \$100,000 for LERRs. Thus, the 1988-89 request for \$300,000 would fully fund LERRs. Local interests are expected to donate the mitigation lands under an informal agreement with the board.

***Uncertainty Over Mitigation Lands Delays Project.*** The adequacy of the local contribution to meet mitigation requirements has been brought into question recently. The State Lands Commission contends that approximately two-thirds of the identified mitigation lands are public trust lands already in state ownership. The board may not be able to count these lands toward the mitigation requirement. Environmental documentation for the project cannot be completed until the mitigation lands are identified and their availability assured; the project, in turn, cannot proceed until the environmental documentation is complete. Even if the mitigation lands issue is resolved quickly, the Corps of Engineers indicates that there will be a lag period of about seven months before the board can begin to purchase LERRs. Because of this lag, the \$100,000 appropriated for the project in the *current* year most likely will not be spent and will revert to SAFCO. Furthermore, the board will not be able to spend any funds appropriated for 1988-89 unless the mitigation issue is resolved by November 1988.

***Allocation of Maintenance Costs.*** State law regarding this project is unusual in that it requires the Reclamation Board to pay for operation and maintenance of the project unless a local agency is formed to assume these responsibilities. Operation and maintenance of other flood control projects whose benefits are primarily local in nature have been a local responsibility. The board estimates that ongoing maintenance costs for the project will be substantial—\$590,000 annually, beginning five years after the completion of construction. In authorizing the project, however, the Legislature required the board to study the possibility of creating one or more regional districts to “undertake at a future time local maintenance responsibility for this project”.

In 1985 and 1986, the board provided two reports to the Legislature concerning the possibility of creating a regional district or other alternatives to state maintenance. The reports indicated that upstream water usage, including federal water supply projects, may contribute to flooding. Both reports mention, but do not evaluate, the possibility of establishing a cost-sharing arrangement between local beneficiaries, the federal government, and the state, for maintenance of the project. Such an evaluation would provide the Legislature with a potential equitable method of cost allocation and an estimate of the share of maintenance costs that would be paid by federal, state and local entities. The Legislature then could direct the board to negotiate with the appropriate local and federal interests in order to reach a cost-sharing agreement.

***Conclusion.*** Currently, the funding needs of the San Joaquin channel project in 1988-89 are uncertain. Accordingly, we withhold recommendation on the requested \$300,000 pending receipt of (1) information from the Reclamation Board and the State Lands Commission on the status of negotiations concerning the availability of mitigation land, and (2) information from the Reclamation Board on the funding requirements of the project in 1988-89. With regard to future maintenance costs, we recommend that the Legislature adopt the following supplemental

report language directing the Reclamation Board to report on allocating maintenance costs for the project:

The Reclamation Board shall provide to the Joint Legislative Budget Committee, the fiscal committees and the appropriate policy committees by November 1, 1988, a report recommending a methodology for allocating maintenance costs for the San Joaquin Channel Project between local beneficiaries, the state, and the federal government, based in part on benefits received, and including an estimate of the maintenance costs that would be allocated to each of the three parties.

#### **Merced County Streams Project**

**Item 3860-491 Reappropriation (SAFCO) .....\$2,300,000**

*We withhold recommendation on the reappropriation of \$2.3 million for the Merced County Streams Project pending receipt of information from the Reclamation Board addressing (1) the status of Merced County's financing plan for its share of project costs, and (2) funding requirements in 1988-89 if delays in reaching a financing agreement prevent the project from beginning construction on schedule.*

The budget requests reappropriations totaling \$2.3 million from SAFCO for the Merced County Streams Project in 1988-89. The project was authorized by the federal Flood Control Act of 1970 and by Section 12667 of the State Water Code. The Reclamation Board will use the requested funds to pay the state's share of the project costs (\$1.8 million), and to loan Merced County (the local sponsor) its share of costs for lands, easements, and rights-of-way (\$519,000), as authorized by state law. In addition, Merced County must provide \$365,000 to meet federal requirements for a cash contribution, so that the total local cost (including the loan from the state) will be \$884,000. The request for \$2.3 million in 1988-89 represents costs for the first phase (Castle Reservoir) of a potential four-phase project with a total cost of \$94 million (local, state and federal), consisting of two dams, enlarging a third dam, and 33 miles of levee and channel improvements.

**Existing Funds Unspent.** None of the \$2.3 million appropriated to date have been spent due to delays in negotiating a new Local Cooperation Agreement (LCA) with the U.S. Army Corps of Engineers. The LCA establishes the financial responsibilities of both the board (as the nonfederal sponsor) and the Corps. In the LCA, the board must *guarantee* payment of *all* nonfederal costs and provide a detailed financing plan that shows how those payments will be funded. A previously signed LCA became invalid when the Water Resources Development Act of 1986 (WRDA) changed federal cost-sharing requirements.

**State and Local Funding Requirements.** Under WRDA, the nonfederal sponsor must (1) continue to pay the cost of all lands, easements, rights-of-way, and relocations (LERRs) as previously required by federal law and (2) provide a *new* cash contribution equal to at least 5 percent of total project costs. (Other changes made by WRDA do not affect Phase 1 of the Merced project).

The state and the local sponsor split the nonfederal share of project costs under a formula in state law. The state pays most of the cost of LERRs and may loan the local sponsor its share of LERRs costs. Merced County is the first local project sponsor to request such a loan from the

**DEPARTMENT OF WATER RESOURCES—CAPITAL OUTLAY—Continued**

state. State law, however, does not authorize the board to pay or loan any portion of the new 5-percent cash requirement to the local sponsor.

**No Financing Plan From Merced County.** The Corps cannot begin construction on the project until it and the board have signed a LCA, including a detailed financing plan. Currently, Merced County has not given the board a plan for providing its local cost share. The Reclamation Board cannot provide a detailed financing plan and should not sign a LCA until Merced County specifies how it will (1) pay the \$365,000 needed to meet its new 5-percent cash requirement and (2) repay the state loan of \$519,000 for the cost of LERRs. Furthermore, Merced County is now requesting that the LCA cover all four phases of the project. If the LCA covers all phases, then Merced's financing plan should do so as well, and it also should address funding of future maintenance costs (estimated to be \$1.5 million annually if the full project is completed). Finally, if the necessary agreements are not reached by April, construction on the project probably cannot begin on schedule, and funding may not be required in the budget year.

At this time we do not have sufficient information to recommend approval of this request. Consequently, we withhold recommendation on the proposed reappropriations pending receipt of information from the Reclamation Board on (1) the status of Merced County's financing plan, and (2) funding requirements in 1988-89 if the LCA cannot be signed in time to begin construction on schedule.

**Assurances for Cost-Sharing Requirements**

*We recommend that the Legislature enact legislation to permit the state to recover all funds required from a local sponsor of a flood control project in the event that a local sponsor does not fulfill its obligations.*

When the Reclamation Board is the nonfederal sponsor of a flood control project, state law generally (1) provides for the board to pay most of the nonfederal costs, (2) defines those nonfederal costs that are the responsibility of the local sponsor (city, county or district), (3) allows the board to loan the local sponsor its costs for lands, easements, rights-of-way and relocations (LERRs), and (4) provides mechanisms for the state to recover any funds loaned to the local sponsor for LERRs if repayments are not made. It is on the basis of these provisions that the board has been able to assure the federal government that it will cover *all* nonfederal costs.

The nonfederal cost-sharing requirements were changed by the federal Water Resources Development Act of 1986 (WRDA) to require an additional cash payment of at least 5-percent of total project costs from nonfederal sponsors. Existing state law predates this change. It does not allow the board to pay any portion of, or to provide a loan for, the new federal 5-percent cash requirement. Nevertheless, the board must guarantee payment of the 5-percent cash requirement as the nonfederal sponsor. In the event that the local sponsor fails to pay its cash requirement, however, there is no mechanism for the board to recover this amount.

The changes brought about by WRDA require a change in state law in order to permit the state to recover the cash requirement from a local sponsor, if necessary. Accordingly, we recommend that the Legislature

enact legislation to permit the state to recover all funds required from the local sponsor of a flood control project in the event that the local sponsor does not fulfill its obligations. This could be achieved by extending the recovery mechanisms in existing law to include defaults on local commitments for cash payments.

**Sacramento San Joaquin River Riparian Lands.....\$700,000**

*We recommend deletion of Item 3860-301-140 from the Environmental License Plate Fund and a corresponding increase of \$700,000 in Item 3860-301-036 (SAFCO) in order to use a more appropriate funding source for flood control activities.*

The budget requests \$700,000 from the Environmental License Plate Fund (ELPF) to acquire lands with riparian vegetation along the Sacramento River which would serve a flood control purpose. The ELPF generally may be used for acquisition, preservation and restoration of natural areas or ecological reserves. In 1978, the Reclamation Board funded a study to identify lands with riparian vegetation along certain areas of the Sacramento River that protect levees, reduce the rate of bank erosion, and stabilize the river channel. The report identified 38 sites, consisting of 4,104 acres, that provide flood control benefits, and recommended that the state take action to retain the vegetation on these sites. By the end of the current year, the Reclamation Board will have spent a total of \$777,026 to acquire 438 acres of the identified lands. This request would fund the purchase of one additional site, which consists of 433 acres, in Butte County.

Although this program results in ancillary environmental benefits by preserving some riparian vegetation and wildlife habitat, its primary purpose is flood control. The Reclamation Board's report states that "the vegetative sites identified herein were selected on hydraulic and flood control considerations only," and goes on to point out that future flood-control needs may require clearing vegetation in some or all of the protected sites in order to maintain flood flows. Consequently, the ELPF is not an appropriate funding source for the purchase of these lands. The program should be funded from the Special Account for Capital Outlay (SAFCO), which is the funding source for other flood control projects.

Accordingly, we recommend that the Legislature (1) delete Item 3860-301-140 (Environmental License Plate Fund) and (2) augment Item 3860-301-036 (SAFCO) by \$700,000 to shift the cost of this project to a more appropriate funding source.

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## Resources Agency

## STATE WATER RESOURCES CONTROL BOARD

Items 3940 and 3940-490 from  
the General Fund and various  
funds

Budget p. R 193

Requested 1988-89.....	\$354,509,000
Estimated 1987-88 .....	173,873,000
Actual 1986-87 .....	96,322,000
Requested increase (excluding amount for salary increases) \$180,636,000 (+104 percent)	
Total recommended reduction.....	297,000
Recommendation pending .....	10,817,000

## 1988-89 FUNDING BY ITEM AND SOURCE

Item—Description	Fund	Amount
3940-001-001—Support	General	\$41,192,000
3940-001-014—Hazardous waste site closure	Hazardous Waste Control Account, General	638,000
3940-001-436—Licensing underground tank testers	Underground Storage Tank Tester Account, General	107,000
3940-001-475—Underground tank permits	Underground Storage Tank	1,117,000
3940-001-482—Toxic pits regulation	Surface Impoundment Assessment Account, General	2,102,000
3940-001-740—Support	1984 State Clean Water Bond	484,000
3940-001-744—Support	1986 Water Conservation and Water Quality Bond	266,000
3940-001-890—Support	Federal Trust	20,033,000
3940-101-744—Local assistance, agricultural drainage loans	1986 Water Conservation and Water Quality Bond	26,000,000
3940-101-890—Local assistance, wastewater treatment loans	Federal Trust	173,206,000
3940-490—Reappropriation, office automation project	Various	(463,000)
Water Code Section 13999, wastewater treatment grants and loans	1984 State Clean Water Bond	50,000,000
Water Code Sections 13955, 13970, 13985—Support	State Clean Water Bond	6,507,000
—Local assistance		20,000,000
Ch 1372/87—Licensing underground tank testers	Underground Storage Tank Tester Account, General	133,000
Water Code Section 13401—Local assistance	State Water Quality Control	1,240,000
Reimbursements	—	11,484,000
Total		\$354,509,000

## SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

Analysis  
page

1. Statewide Implementation of Underground Tank Permit Program. Recommend that the board report at budget hearings on the extent to which the failure of some local

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- governments to implement an underground tank permit program threatens public health and the environment, and the options available to the Legislature to provide statewide permit coverage.
2. **Underground Tank Standards.** Recommend adoption of supplemental report language directing the board to evaluate local underground tank permit programs in order to identify those which have not incorporated all relevant regulations and standards adopted by the board related to underground tanks. 432
  3. **Underground Tank Surcharge.** Recommend that the board submit to the Legislature at the time of budget hearings a plan for recovering from local governments those surcharge revenues from underground tank permits that are owed to the state. 433
  4. **Underground Tank Cleanup Oversight.** Withhold recommendation on \$10.8 million requested for contracts with local agencies to oversee the cleanup of leaking underground tanks, pending receipt and review of contracts signed by the board and preliminary information on implementation of the program in the current year. 434
  5. **Laboratory Certification Program. Reduce Item 3940-001-001 by \$197,000.** Recommend reduction to provide funding for the laboratory certification program through January 1, 1989. Further recommend enactment of legislation (a) extending the fee authority for laboratory certification, (b) requiring that the fees be used to support the program directly, rather than being deposited into the General Fund, (c) providing funding for the second half of 1988-89 from the fees, and (d) establishing a loan repayment schedule. Also recommend that the board report at budget hearings on (a) the reasons for its failure to implement the laboratory certification program as required by law and (b) the steps it is taking to ensure that the program is implemented in 1988-89 and is fully self-supporting. 435
  6. **Health and Safety Program. Reduce Item 3940-001-001 by \$100,000.** Recommend reduction because the amount is doublebudgeted. 437

#### GENERAL PROGRAM STATEMENT

The State Water Resources Control Board has two major responsibilities: to regulate water quality and to administer water rights.

The state board carries out its water pollution control responsibilities by establishing wastewater discharge policies and by administering state and federal grants and loans to local governments for the construction of wastewater treatment facilities. The board also implements programs to ensure that surface impoundments and underground tanks do not contaminate groundwater. Nine regional water quality control boards establish wastewater discharge requirements and carry out water pollution control programs in accordance with the policies, and under the supervision, of the state board. Funding for the regional boards is included in the state board's budget.

**STATE WATER RESOURCES CONTROL BOARD—Continued**

The board's water rights responsibilities involve the issuance of permits and licenses to applicants who desire to appropriate water from streams, rivers, and lakes.

The board is composed of five full-time members who are appointed by the Governor to staggered four-year terms. The state board and the regional boards have a combined total of 1,088 personnel-years in the current year, of which 541 personnel-years are allocated to the regional boards and 547 personnel-years are allocated to the state board.

**OVERVIEW OF THE BUDGET REQUEST**

The budget proposes total expenditures of \$355 million from all sources for the State Water Resources Control Board (SWRCB) in 1988-89. This

**Table 1**  
**State Water Resources Control Board**  
**Budget Summary**  
**1986-87 through 1988-89**  
**(dollars in thousands)**

Program	Personnel-Years			Expenditures			Percent Change From 1987-88
	Actual 1986-87	Est. 1987-88	Prop. 1988-89	Actual 1986-87	Est. 1987-88	Prop. 1988-89	
Water Quality							
• Regulation:							
Underground tanks .....	55.1	65.5	84.1	\$4,251	\$5,756	\$7,622	32.4%
Toxic pits .....	16.8	32.1	32.1	1,109	2,297	2,360	2.7
Contaminated drinking water wells investigations .....	21.1	57.7	57.7	1,715	4,284	4,376	2.1
Resource Conservation and Re- covery Act .....	20.2	27.0	27.0	1,484	1,932	1,985	2.7
Other regulatory activities .....	317.9	345.3	386.8	25,645	28,329	32,104	13.3
• Planning .....	48.7	52.0	52.0	5,622	7,223	6,948	-3.8
• Facility development assistance .....	113.6	119.0	123.7	43,628	112,779	287,091	154.6
• Research and technical assistance ..	92.7	91.3	91.3	4,540	3,992	4,074	2.1
Subtotals, Water Quality .....	(686.1)	(789.9)	(854.7)	(\$87,994)	(\$166,592)	(\$346,560)	(108.0%)
Water Rights							
• Water appropriation .....	51.5	54.2	57.0	\$3,715	\$3,767	\$4,010	6.5%
• Water management/enforcement ..	23.0	25.8	28.8	3,292	2,058	2,453	19.2
• Determination of existing rights ...	3.8	4.8	4.8	317	362	371	2.5
• Technical assistance .....	18.9	18.4	18.4	1,004	1,094	1,115	1.9
Subtotals, Water Rights .....	(97.2)	(103.2)	(109.0)	(\$8,328)	(\$7,281)	(\$7,949)	(9.2%)
Administration (distributed to other programs) .....	105.7	111.9	124.7	(\$6,286)	(\$7,810)	(\$8,593)	(10.0%)
Totals .....	889.0	1,005.0	1,088.4	\$96,322	\$173,873	\$354,509	103.9%
Funding Sources							
General Fund .....				\$35,324	\$38,859	\$41,192	6.0%
Hazardous Waste Control Account .....				519	461	638	38.4
Underground Tank Storage Fund .....				401	814	1,117	37.2
Underground Storage Tank Tester Account .....				—	217	240	10.6
Underground Container Inventory Account .....				10	56	—	-100.0
Surface Impoundment Assessment Account .....				592	2,044	2,102	2.8
State Water Quality Control Fund .....				-1,183	1,240	1,240	—
State Clean Water Bond Fund .....				36,369	36,282	26,507	-26.9
1984 State Clean Water Bond Fund .....				7,628	50,475	50,484	—
1986 Water Conservation and Water Quality Bond Fund .....				228	22,215	26,266	18.2
Federal Trust Fund .....				13,729	17,966	193,239	975.6
Reimbursements .....				2,705	3,244	11,484	254.0

is an increase of \$181 million, or 104 percent, from estimated current-year expenditures. The board's proposed expenditure plan would be financed by \$72 million from state funds, \$193 million in federal funds, \$12 million in reimbursements, and \$78 million in continuously appropriated state funds. Of the amount requested, a total of \$278 million from state bond funds and federal funds would be for loans and grants to local agencies for wastewater treatment facilities and agricultural drainage projects.

The large increase in expenditures results primarily from a change in the way that federal funds are provided for the construction of local wastewater treatment plants. Previously, the federal government provided grants directly to local agencies. Beginning in 1988-89, however, the board will receive federal funds to establish a revolving loan fund, and the increased expenditures in the budget reflect anticipated loans to local agencies in 1988-89.

Table 1 shows the board's expenditures and staffing levels by program, and funding sources for the past, current, and budget years.

In addition to the \$355 million in new expenditure authority discussed above, the Budget Bill also proposes to reappropriate \$433,000 from various state funds and \$30,000 in reimbursement authority from the 1987 Budget Act for an office automation project.

#### **Proposed Budget Changes for 1988-89**

Table 2 summarizes, by funding source, the changes proposed in the board's budget for 1988-89. As shown in Table 2, the proposed \$181 million net increase in expenditures results primarily from the following:

- An increase of \$170 million in federal funds to establish a loan program, in place of the existing direct federal grant program, for construction of local wastewater treatment plants.
- An increase of \$11 million in reimbursements and federal funds for the second year of a pilot program to fund local oversight of cleanups of leaking underground storage tanks. The increase is somewhat misleading because in both the current and budget years, the board will receive \$7.5 million in reimbursements from the Department of Health Services (DHS) for this program. However, the budget does not reflect these current-year funds because DHS had not yet transferred the funds to the board. The remaining \$3.5 million change is the result of increased federal funds for the pilot program.

Various other program changes, totaling approximately \$5.3 million, are more than offset by decreases totaling \$6 million in the amount of state bond funds available to make loans and grants to local entities for construction of wastewater treatment facilities.



**STATE WATER RESOURCES CONTROL BOARD—Continued****Table 2****State Water Resources Control Board  
Proposed 1988-89 Budget Changes  
(dollars in thousands)**

	<i>General Fund</i>	<i>Other state funds</i>	<i>Federal Trust Fund</i>	<i>Reimburse- ments</i>	<i>Totals</i>
<i>1987-88 Expenditures (Revised).....</i>	<i>\$38,859</i>	<i>\$113,804</i>	<i>\$17,966</i>	<i>\$3,244</i>	<i>\$173,873</i>
<i>Baseline adjustments:</i>					
Delete one-time costs.....	-980	—	—	—	-980
Full-year costs of 1987-88 salary and ben- efit increases.....	523	145	143	58	869
Price increase.....	275	78	130	23	506
Miscellaneous adjustments.....	-49	-116	-176	—	-341
Subtotals, Baseline Adjustments.....	(-\$231)	(\$107)	(\$97)	(\$81)	(\$54)
<i>Program changes</i>					
Implement loan program for wastewater treatment plant construction.....	—	—	170,204	—	170,204
Implement provisions of the federal 1987 Clean Water Act.....	677	—	2,028	—	2,705
Continue local oversight program of leaking underground storage tank cleanups.....	—	—	3,395	7,422	10,817
Expand leaking underground tank data management system.....	—	235	—	—	235
Establish worker health and safety pro- gram.....	606	119	—	—	725
Replace federal funds with fees for waste discharge permit program.....	—	—	-663	663	—
Increase administrative and support per- sonnel.....	314	107	150	30	601
Increase solid waste disposal site review program.....	586	—	—	—	586
Augment equipment purchases.....	130	46	62	12	250
Increase water rights complaint investi- gations.....	190	—	—	—	190
Revised permits for land treatment of hazardous wastes.....	—	150	—	—	150
Adjust amount available for local assis- tance from clean water bond funds...	—	-6,000	—	—	-6,000
Other changes.....	61	26	—	32	119
Subtotals, Program Changes.....	(\$2,564)	(-\$5,317)	(\$175,176)	(\$8,159)	(\$180,582)
1988-89 Expenditures (Proposed).....	\$41,192	\$108,594	\$193,239	\$11,484	\$354,509
Changes from 1987-88:					
Amount.....	\$2,333	-\$5,210	\$175,273	\$8,240	\$180,636
Percent.....	6.0%	-4.6%	975.6%	254.0%	103.9%

**ANALYSIS AND RECOMMENDATIONS**

We recommend approval of the following significant proposed changes shown in Table 2, which are not discussed elsewhere in this analysis:

- \$170 million from federal funds to implement a loan program for wastewater treatment plant construction. The federal government is phasing out the wastewater treatment plant construction *grant* program and replacing it with a *loan* program.

- \$2.7 million (\$677,000 from the General Fund and \$2 million from federal funds) to implement provisions of the federal 1987 Clean Water Act dealing with control of nonpoint-sources of pollution and development of water quality objectives.
- \$235,000 from the Underground Storage Tank Fund to expand a computerized data base of leaking underground tanks.
- \$663,000 from fee reimbursements to replace federal funds for the support of the waste discharge permit programs because of a change in available funds.
- \$601,000 from various sources to increase administrative and support personnel because of increased workload.
- \$586,000 from the General Fund to expand the solid waste disposal site review program because of increased workload.

In addition, we recommend approval of the request to reappropriate \$433,000 from various state funds and \$30,000 in reimbursement authority from the 1987 Budget Act for an office automation project. The budget includes these amounts in current-year estimated expenditures. The board indicates, however, that it will be unable to spend the monies in the current year because of unanticipated delays in receiving approval of the project from the State Office of Information Technology.

#### **Underground Storage Tank Permit Program**

The following three issues concern the permitting of underground storage tanks. Current law requires the operators of underground tanks to obtain a permit from the city or county in which the tank is located. The goal of the program is to protect public health and the environment from the accidental leakage of stored hazardous materials. Through the permitting process, local agencies regulate the design, construction, operation, monitoring, and inspection of underground tanks. The law makes counties responsible for the permit program, except within cities that choose to implement their own program. Approximately 43 cities have their own permit program or have indicated that they intend to establish one.

The state board and the regional boards assist the local agencies by (1) promulgating regulations that specify design, construction, and leak detection or monitoring requirements, (2) providing technical assistance to local agencies, (3) reviewing tank owner requests for variances, (4) reviewing local agency's requests to implement additional design and construction standards, and (5) developing and maintaining a centralized data base of all underground tank permits.

The permitting program is supported fully from fee revenue. Local agencies assess a permit fee sufficient to cover their costs and are required to collect a permit fee surcharge to pay the state and regional boards' costs related to the permitting program.

#### **Underground Tank Permit Program Not Implemented by Some Local Governments**

*We recommend that the board report at budget hearings on (1) the specific local governments that have not implemented an underground tank permit program and the estimated number of tanks within those jurisdictions, (2) the extent to which the failure to implement those permit programs poses a threat to public health or the environment, (3) the reasons why some local governments have failed to implement*

**STATE WATER RESOURCES CONTROL BOARD—Continued**

*a permit program, and (4) options for providing complete permit coverage statewide.*

Existing state law generally has required all counties, and any cities adopting their own program, to implement an underground tank permit program by July 1, 1985. However, the board indicates that, based on *informal* discussions with some local agencies, it appears that *at least* seven local governments, with an estimated 1,260 tanks within their jurisdictions, have not implemented a permit program as of January 1, 1988.

The number of local governments failing to implement a permit program may be much greater than the seven identified by the board. In January 1987, the board reported to the Legislature that 36 of the 95 agencies that responded to a *formal* statewide survey had not implemented an underground tank program (six local agencies did not respond). The board estimated that those 36 agencies may have 65,000 underground tanks within their jurisdictions.

At this time, the Legislature does not have sufficient information to determine whether the absence of a permit program in some areas poses a serious problem, or the reasons why some local governments still have not implemented a permit program four years past the deadline set by law.

In order to provide the Legislature with an overview of this program, we recommend that the board report at the time of budget hearings on (1) the specific local governments that have not implemented an underground tank permit program, and the estimated number of underground tanks within those jurisdictions; (2) the extent to which the absence of a permit program poses a threat to public health or the environment; (3) the reasons why some local governments have failed to implement a permit program, and (4) options for providing complete permit coverage statewide.

**No Information on Local Compliance with State Underground Tank Standards**

*We recommend that the Legislature adopt supplemental report language directing the state board to evaluate local governments' underground tank permit programs to identify those local governments which have not incorporated into their programs all relevant regulations and standards adopted by the board.*

Pursuant to the requirements of current law, the board has adopted regulations establishing standards for the design, construction, operation, monitoring, and inspection of underground tanks. The purpose of the standards is to ensure that the tanks are properly maintained, inspected, and tested in order to prevent leaks of hazardous substances into the soil and groundwater. Current law also requires local agencies to incorporate these standards into their permit programs in order to ensure the adequacy of permit conditions statewide.

Our review indicates that the board does not have any information on whether the approximately 100 local agencies *actually* have incorporated the board's standards into their permit programs. Without this information, the Legislature has no assurance that local agencies are properly implementing the permit program in accordance with the law. In order to provide the Legislature with this information, we recommend adop-

tion of the following supplemental report language:

The State Water Resources Control Board shall submit to the Legislature by November 1, 1988, a report which identifies those local governments which have not incorporated into their programs all relevant regulations and standards adopted by the board related to underground tanks. For each local government identified, the board shall cite the specific regulations which have not been incorporated into the program.

#### **Underground Tank Surcharge Fees Still Owed to State**

*We recommend that the state board submit to the Legislature at the time of budget hearings a plan for recovering from local governments, those surcharge revenues from underground tank permits that are owed to the state.*

The budget requests a total of \$1.2 million from the Underground Storage Tank Fund (USTF) to continue the current level of support for the state and regional boards' activities related to underground tank permitting.

The USTF receives its revenue from a state surcharge on local underground tank permit fees. Those local governments which did not have their own permit program in place prior to January 1, 1984, are responsible for collecting the surcharge and transmitting it to the state. (Current law allows local governments to retain a portion of the surcharge for their collection costs.) Some local governments, however, have failed to fully remit the surcharge revenue to the state.

Pursuant to language in the *Supplemental Report of the 1986 Budget Act*, the board has provided quarterly reports on the status of surcharge fee revenues to the Legislature since January 1987. The most recent report indicates that local governments have not remitted an estimated \$3.2 million. This amount is approximately 50 percent of the total estimated surcharge revenue for all underground tank permits issued from July 1, 1984 to June 30, 1987. Moreover, our review indicates that 24 of the 90 local governments required to collect the surcharge have not remitted any surcharge to the state.

The failure of some local agencies to remit the surcharge has resulted in reductions and delays in the boards' programs. For example, in both 1985-86 and 1986-87, the board reduced its technical assistance activities and delayed the development of its data base of permitted tanks because there were insufficient funds in the USTF to pay for these activities. Further, if local governments remitted the outstanding \$3.2 million to the state, the Legislature would have the option of lowering the surcharge in future years, or funding additional program activities by the board.

The state board indicates that it has been corresponding with the local agencies in order to recover the surcharge funds. In addition, the board indicates that it is withholding payment of wastewater treatment plant construction funds to any local government which has not fully remitted the surcharge. However, the board's actions have not been very effective. Our review indicates that there has not been any net reduction in the amount of surcharge revenue owed to the state by local governments over the past year.

The board does have other options available to help collect the surcharge from local agencies. For instance, the board could seek legal action against the local governments that have not fully remitted the

**STATE WATER RESOURCES CONTROL BOARD—Continued**

surcharge. In addition, the board could withhold other types of grants to local agencies that have not remitted the fees.

Accordingly, we recommend that the board submit to the Legislature, at the time of budget hearings a plan for recovering from local governments the revenue from the state surcharge on underground tank permit fees that is owed to the state.

**Oversight Of Underground Tank Cleanups Off To A Slow Start**

*We withhold recommendation on \$10,817,000 requested for contracts with local agencies to oversee the cleanup of leaking underground tanks, pending receipt and review of contracts signed by the board and preliminary information on the implementation of the program in the current year. (Withhold recommendation on \$7,422,000 from reimbursements and \$3,395,000 from federal funds.)*

The budget requests a total of \$10.8 million for the second year of a pilot program to contract with local agencies to oversee the cleanup of leaking underground tanks. The board proposes to use \$10.1 million of this amount for contracts with local agencies, and the remaining \$690,000 to administer the program. This program would be funded from \$7.4 million in reimbursements from the Department of Health Services (DHS) and \$3.4 million in federal funds.

The 1987 Budget Act provided \$7.5 million from the Hazardous Substance Cleanup (Bond) Fund to DHS for the first year of the pilot program. Because the board traditionally has been the state agency responsible for overseeing the cleanup of leaking underground tanks, DHS has contracted with the board to administer the program in the current year. This arrangement will continue in the budget year.

The board's responsibilities in the program include:

- Selecting local agencies to participate in the program and determining the amount provided to each local agency.
- Entering into contracts with the selected local agencies.
- Providing technical assistance to the local agencies.
- Recovering oversight costs from responsible parties.
- Providing direct oversight of cleanups which require more expertise than a local agency can provide.

The board has selected 12 local agencies to participate in the pilot program in the current year, and proposes to select an additional 24 agencies in 1988-89.

At the time this analysis was prepared, however, the program had not been implemented, and no contracts had been signed with any local agencies. As a result, no local agency has overseen the cleanup of any leaking underground tanks under this program. The board indicates that it intends to sign contracts, and authorize local agencies to begin cleanup oversight, by mid-March 1988.

The Legislature has given a high priority to the oversight of underground tank cleanups and has provided additional funds for this purpose several times in the past. Consequently, the board should address the reasons for the contract delays at budget hearings.

Unfortunately, because of the contract delays, the board has little information to provide the Legislature on program implementation during the current year. As a result, the Legislature will have no choice,

but to evaluate the budget request for the program's second year primarily on the basis of the contracts that have been signed and the plans for, rather than the results of, their implementation.

Based on the board's projected schedule, the board should be able to provide the following information by budget hearings:

- The amount of funds that the board will provide to local agencies through contracts in the current year, and the amount that subsequently will revert to the Hazardous Substance Cleanup (Bond) Fund.
- The basis for the amount provided to each local agency in the current year.
- The regulations adopted by the board which explain the protocols for assessing and recovering oversight costs from responsible parties, the measures that the board will use to evaluate the program, and the guidelines as to which sites may be assigned to the local agencies for oversight. Chapter 1317, Statutes of 1987, requires the board to adopt administrative procedures regarding all of these actions.

In addition, the board should provide by budget hearings preliminary information related to the implementation of the program.

Accordingly, we withhold recommendation on \$10.8 million in reimbursements and federal funds, pending receipt and review of the contracts signed by the board and preliminary information on the implementation of the program in the current year.

#### **Laboratory Certification Program**

*We recommend a reduction of \$197,000 from the General Fund for the laboratory certification program in order to provide funding for the program through January 1, 1989, when the existing fee authority ends. (Reduce Item 3940-001-001 by \$197,000.)*

*We further recommend that the Legislature enact legislation which would (1) extend the board's authority to levy laboratory certification fees, (2) require that the fees be used to support the program directly, rather than being deposited into the General Fund, (3) provide funding for the second half of 1988-89, and (4) establish a definite schedule for repayment of a General Fund loan.*

*We also recommend that the board report at the time of budget hearings on (1) the reasons for its failure to implement the laboratory certification program as required Ch 1520/85 and (2) the steps it is taking to ensure that the program is implemented in 1988-89 and is fully self-supporting.*

The budget requests \$395,000 from the General Fund for a program to certify laboratories that analyze wastewater. This amount would provide essentially the same level of funding as in the current year. About \$300,000 of the requested amount would be used to continue an existing contract with the Department of Health Services (DHS).

Chapter 1520, Statutes of 1985, requires the state board to certify that laboratories are competent, properly staffed, and equipped to perform wastewater analyses. The goal of the program is to ensure that the analyses performed by these laboratories are scientifically valid, and are of acceptable precision and accuracy. Inaccurate analyses could result in harm to the public health or the environment because discharges which are higher than acceptable levels may not be detected.

**STATE WATER RESOURCES CONTROL BOARD—Continued**

Chapter 1520 requires the board to recover its costs from application fees. Under the measure, the General Fund receives the fee revenue. The program's costs are funded by a General Fund appropriation in the annual Budget Act. In addition, Ch 1520/85 appropriated \$200,000 from the General Fund as a loan to pay the start-up costs of the program and required repayment from the application fees by January 1, 1988.

**Board Has Not Implemented Program.** The Legislature has appropriated approximately \$395,000 annually from the General Fund for the laboratory certification program in 1986-87 and 1987-88. Our review indicates, however, that the board has failed to *implement* the program. Over the past three years, the board has developed regulations (which are currently being reviewed by the Office of Administrative Law), however the board has not requested or reviewed any certification applications. Further, the board has collected no fees to offset its annual General Fund appropriation, or to repay the start-up loan as required by Ch 1520/85. According to the board, its inaction is due primarily to delays by DHS in formulating certification requirements and a fee structure under its contract with the board.

**Fees Should be Continued on a Reimbursement Basis.** Although the certification program is continued in law, the fee authority provided by Ch 1520/85 sunsets on January 1, 1989, halfway through the budget year. The certification program was intended to be self-financing and the fees are an appropriate cost of doing business for the laboratories. Consequently, we believe that the Legislature should enact legislation making the fee authority permanent.

However, changes are needed to provide the board with an incentive to implement the program on a timely basis, and to reduce the burden of the program on the General Fund. This can be accomplished by funding the laboratory certification program directly on a fee reimbursement basis, rather than depositing the fee revenue into the General Fund and providing General Fund appropriations for the program. This would make continued funding of board and DHS activities contingent on having a collection mechanism in place. In addition, this change would eliminate the prospect of continued General Fund costs to support the program.

Since the revised funding mechanism would become effective January 1, 1989, the board will require General Fund support for the certification program only for the first half of 1988-89. After that, the certification program and fee structure should be in place. Consequently, the amount provided in the budget for the program in 1988-89 should be reduced to six-month funding, or \$198,000.

**Recommendation.** In order to ensure that the laboratory certification program becomes self-financing during 1988-89 and to provide an incentive to the board and DHS to implement the program, we recommend that the Legislature take the following actions:

1. Reduce the board's General Fund appropriation by \$197,000 in order to provide funding for the first six months of 1988-89, at which point the existing fee authority ends. Providing the General Fund monies in the first-half of 1988-89 will provide the board with additional time to start-up the program.

2. Enact legislation which (a) makes the application fees permanent and eliminates their deposit in the General Fund, (b) provides funding

for the second half of 1988-89, and (c) sets a definite schedule for repayment of the General Fund start-up loan.

In addition, we recommend that the board report at budget hearings on (1) the reasons for its failure to implement the laboratory certification program required by Ch 1520/85 and (2) the steps it is taking to ensure that the program is implemented in 1988-89 and is fully self-supporting.

#### **Health and Safety Program Overbudgeted**

*We recommend a General Fund reduction of \$100,000 in the amount requested for a health and safety program for board employees, because the amount is doublebudgeted. (Reduce Item 3940-001-001 by \$100,000.)*

The budget requests an increase of \$725,000 to pay the full cost of implementing a worker health and safety program for board employees. The increase would be funded from the General Fund (\$606,000), and various other funds (\$119,000). In the current year, the budget includes \$100,000 from the General Fund for the board to begin partial implementation of the program.

The worker health and safety program proposed for 1988-89 would include all of the state and regional boards' employees that may be exposed to toxic or hazardous substances in the course of their work. The program consists of (1) monitoring employees' medical condition, (2) training employees in hazard recognition, evaluation and control, (3) providing protective equipment, and (4) monitoring the workplace to measure employee exposure to hazardous substances. Approximately 400 employees would be covered under the program.

The board's current-year budget already includes \$100,000 from the General Fund for the worker health and safety program, and this amount is carried forward into the proposed 1988-89 budget. Our review indicates, however, that the board's request does not recognize these funds. Accordingly, we recommend a reduction of \$100,000 from the General Fund because the amount has been doublebudgeted.

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### **Health and Welfare Agency**

#### **STATE COUNCIL ON DEVELOPMENTAL DISABILITIES AND AREA BOARDS ON DEVELOPMENTAL DISABILITIES**

Item 4100 from the Federal  
Trust Fund and Item 4110  
from reimbursements

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Requested 1988-89.....	\$4,667,000
Estimated 1987-88 .....	4,727,000
Actual 1986-87 .....	3,983,000
Requested decrease (excluding amount for salary increases) \$60,000 (-1.3 percent)	
Total recommended reduction.....	None

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