

## United Spanish War Veterans Commission—Continued

## ANALYSIS.

This five-year nonsalaried commission appointed by the Governor was created in 1957 to promote and provide for the welfare of the Spanish War Veteran and to assist in the maintenance of the headquarters of Department of California, United Spanish War Veterans. We have repeatedly questioned this expenditure and we still believe it is an unnecessary expenditure of state funds.

*We recommend disapproval of the item.*

## DEPARTMENT OF WATER RESOURCES

ITEM 262 of the Budget Bill

Budget page 669

FOR EXPENDITURE BY THE DEPARTMENT OF WATER RESOURCES  
FROM THE GENERAL FUND AND THE CALIFORNIA WATER FUND

Amount requested	\$29,343,103
Estimated to be expended in 1961-62 fiscal year	26,182,142
Increase (12.1 percent)	\$3,160,961
<b>TOTAL RECOMMENDED REDUCTION</b>	<b>\$1,397,696</b>

## Summary of Recommended Reductions

	Amount	Budget Page	Line
<b>General Administration:</b>			
Eliminate internal audit	\$46,000	--	--
Reduce travel	25,500	--	--
Reduce public information and photographic laboratory	52,000	--	--
	<u>\$123,500</u>		
<b>General Investigations:</b>			
Reduce water requirements studies	\$300,000	678	23
Eliminate Delta and Suisun Bay pollution investigation (General Fund)	131,523	678	26
(California Water Fund)	125,000	679	5
Reduce unit water use survey	165,000	678	34 & 35
Reduce land use and water requirements survey	65,000	678	37
Reduce saline water conversion investigation and application	65,000	678	38
Eliminate power planning studies	55,550	678	42
Eliminate flood control planning investigation	55,571	678	43
Eliminate fish and wildlife enhancement and recreation—State Water Facilities	97,728	678	53
<b>Total</b>	<u>\$1,060,372</u>	679	13
<b>Project Planning:</b>			
Eliminate Upper Putah Creek investigation	\$69,945	682	8
Eliminate Coastal San Mateo County investigation	44,684	682	9
Eliminate Central Coastal Planning studies	54,695	682	11
<b>Total</b>	<u>\$169,324</u>	682	52
<b>Operations:</b>			
Pacific Northwest-California power interconnection	\$50,000	687	17
I.B.M. contract services for interconnection study	50,000	687	71
<b>Total</b>	<u>\$100,000</u>	687	71
<b>Other Activities:</b>			
Formation and supervision of public water districts	\$68,000	689	86
<b>Total of all reductions</b>	<u><u>\$1,397,696</u></u>		

## Department of Water Resources—Continued

## ANALYSIS

The Department of Water Resources is responsible for the planning, design, construction, and operation of the State Water Facilities. In addition, it carries on an extensive water resources planning and investigation program, collects data involved in water resources development and use, administers a number of statutory functions related to water, allocates local assistance funds for flood control, and carries out the State's responsibilities for beach erosion control.

The fiscal year 1962-63 Budget for the Department of Water Resources consists of the following programs which are budgeted from the funds as shown below:

<i>Program</i>	<i>General Fund</i>	<i>California Water Fund</i>
General administration -----	Financed entirely by charges to programs listed below.	
Basic data -----	\$2,500,959	
General investigations -----	3,760,583	\$313,382
Project planning -----	976,705	1,190,511
Operations -----	1,562,672	1,587,658
Other activities -----	1,384,081	258,834
Design -----	-	10,071,980
Right-of-way acquisition -----	-	1,770,000
Construction supervision -----	-	3,669,600
Loans for automobiles and heavy equipment --	-	296,138
Contract construction -----	-	43,740,531
Financial assistance for local projects -----	-	2,850,500
<b>Totals -----</b>	<b>\$10,185,000</b>	<b>\$65,749,134</b>

The General Fund portion of the department's budget is \$101,318 or 1 percent below the estimated expenditure level of fiscal year 1961-62. The request in Budget Item 263 is \$10,138,000, or \$47,000 less than the above listed General Fund expenditure program because \$47,000 is proposed to be financed by funds carried over from the current to the budget year from Porter-Dolwig Act money.

The main reason for the reduction of \$101,000 in the General Fund expenditure compared to the current year is the absence next year of a General Fund appropriation for the General Administration program of the department, as will be discussed under the General Administration program. The reduction of the total General Fund appropriation by only \$101,000, when the sum of \$862,262 is no longer appropriated directly to pay General Administration costs, has resulted in an overall increase in the remaining General Fund portion of the budget which is probably fairly close to the difference between the two above figures or \$760,000. Most of this increase has been absorbed in the department's planning programs which have increased \$439,741, in the Basic Data program which has increased \$151,646 and in Other Activities which have increased \$174,139 compared to the current year. However, some of the money may eventually end up in General Administration by means of the overhead charge for General Administration.

Estimated total expenditures for fiscal year 1962-63 for the construction of the State Water Facilities, using California Water Fund money available under the continuing appropriation provisions of the Burns-

## Department of Water Resources—Continued

Porter Act, increase 48.9 percent from \$44,154,690 during the current year to \$65,749,134 during the next year. After these expenditures are made the estimated balance in the California Water Fund as of June 30, 1963, is \$29,328,276. (See page 1011 of the Governor's Budget for the statement of Fund condition on the California Water Fund).

The above table of program expenditures contains an expenditure from the California Water Resources Development Bond Fund in the amount of \$229,172 which is included in the figure for the Operations Program. This is a new entry and represents the first estimated operating costs attributable to the sale of water at Frenchman Dam and the South Bay Aqueduct and is derived from revenues accruing in the California Water Resources Development Bond Fund pursuant to Section 12937(b) of the Burns-Porter Act. This analysis contains further comments on these revenues under the heading of the operations program.

A total of 497.8 new positions are being requested by the department for next year. The total number of authorized positions in the department will rise to 2,547.2 during the next fiscal year. The net number of new positions is shown below by organization. An asterisk beside a number indicates that part of the 39 positions in program control and policy management which were given a one year limit by the Legislature last year are included as new positions.

<i>Organization</i>	<i>Number of positions</i>
Executive	20 *
Division of Administration	13.2
Engineering Management	11 *
Division of Resources Planning	3
Division of Operations	7 *
Technical Services Office	7.1
Division of Design and Construction	332.9*
Area Management	8 *
Northern Branch	11.7
Bay Area Branch	28
Delta Branch	3
San Joaquin Valley Branch	-0.7
Southern District	77 *
Total new positions	497.8

The salary savings figures contained in the department's budget are unrealistic. With almost 500 new positions in next year's budget to be filled plus vacancies now existing, salary savings for only 103 positions has been taken, which is two positions less than shown for the current year. The Southern California District with a net of 78 new positions has 23 positions in salary savings while the Division of Design and Construction with 332 new positions likewise shows 23 positions in salary savings. It also appears that a disproportionate amount of salary savings has been taken in the General Fund portion of the department's budget. No allowance has been made for the 2½ percent increased productivity savings which are to finance part of the proposed 5 percent employees' salary increase. Finally, new positions established in

**Department of Water Resources—Continued**

the reorganization are not identified in the customary manner and many of the salaries shown are too high.

The department's program budget, which was initiated several years ago, has undergone further refinements and improvements in the preparation of the fiscal year 1962-63 budget. Among these are such features as (1) the inclusion of the Los Angeles expenditures with the Sacramento office expenditures so that total expenditures for a given activity are apparent for the first time, (2) budgeting federal cooperative programs with similar state programs so that the total program impact is more discernable, (3) improvements in the organization and contents of the department's various programs, and (4) greater emphasis upon improved definitions of certain programs and activities. Although this analysis has from time to time pointed out improvements which it was felt might be made in the department's program budgeting and many difficult problems still exist to be solved, this should not obscure the fact that the program budget for the Department of Water Resources has now developed to the point it can be considered a significant accomplishment. This progress has resulted from hard work on the part of the budget staffs in the Departments of Finance and Water Resources coupled with continuing efforts each year to undertake those improvements which were practical of achievement even though not spectacular. The result is a body of experience which will be invaluable in the future.

**Departmental Reorganization**

During the winter and spring of last year the Department of Water Resources planned and began executing a major reorganization to decentralize most of its activities and to transfer large numbers of departmental personnel into four new district offices located outside of Sacramento. This decentralization could not be completed when the Legislature amended the Budget Bill to preclude spending General Fund money for decentralization. The limiting amendment was placed in the Budget Bill by Senate Finance Subcommittee No. 4 which stated in its report "As of this date the Department of Water Resources has given the Senate Finance Committee no information on its decentralization plans and estimated costs. The department should not proceed with this decentralization until the Legislature has reviewed and approved its decentralization and reorganization plans." The department subsequently presented an oral description of its proposed decentralization to the Senate Finance Committee but this was not a part of the hearing process on the Budget Bill.

During the budget hearings last session it was agreed by the Departments of Finance and Water Resources that the recommendation contained on page 746 of last year's analysis would be accepted. This recommendation limited 39 positions in the department's new program control and policy staffs to one year and required them to be rejustified by a memorandum report based upon certain points enumerated in last year's analysis. The core of the rejustification involved demonstrating that this large number of program and policy staff positions did not undermine or reduce the responsibilities of the line super-

## Department of Water Resources—Continued

visors. Last year's analysis also pointed out the increasing expenditures for new top level positions and the high general administration costs of the department. By formal action the above recommendation limiting the 39 positions to one year was approved by the Ways and Means Subcommittee and the list of positions involved was included in the Legislative Change Booklet. Legislative interest in the organization of the Department of Water Resources was clearly established by the formal actions noted in the two paragraphs above.

*At the time of publication of this analysis the memorandum report had not been received nor had this office received a reply to a request made by letter dated November 8, 1961 for a tabulation of the position and grade level changes involved in the reorganization which took place last summer in lieu of the decentralization. In the absence of the memorandum report and the tabulation of positions, the recommendations on departmental reorganization contained in this analysis are considered tentative and subject to revision upon receipt of the material.*

Prior to final adoption of the Budget Bill last session, the department's decentralization program had progressed to the point that appointments and promotions had been announced if not actually made, leases had been signed for the new district offices, departmental personnel had been notified to move and some had actually sold their homes and moved. The Senate passed Senate Resolution No. 194 which expressed the Senate's view that personnel who had suffered financial loss as a result of preparations to transfer household belongings to decentralized offices should file claims for reimbursement from the State. A series of such claims totaling \$11,703 have been approved by the Board of Control and are included in the Budget Bill along with a claim for \$28,500 to cover four months' rent on a \$342,000 lease in Fresno which has a five-year term.

In July 1961 a new reorganization plan was announced by the Department of Water Resources. This plan complied with the amendment contained in the Budget Act which prohibited departmental decentralization but not departmental reorganization. The new organization plan contained no district offices as such, it moved no personnel into the field and it involved no major organization changes in the Division of Design and Construction. Instead area branches were established in Sacramento to handle substantially the same operations and maintenance, basic data and planning functions in the same geographical areas as had been proposed for the decentralized district offices. As in the decentralization plan a new Technical Services Office was established, and all divisions reported to the Chief Engineer who in turn reported to the chief deputy director who in turn reported to the director. The decentralization plan provided for the decentralized districts to report to the chief deputy director, while under the present reorganization the area branches report to a new position of assistant chief engineer who in turn reports to the chief engineer.

In simplest form the department's reorganization plan provides for four new area branches which are located in Sacramento rather than in the districts they cover. These four area branches are similar to the

## Department of Water Resources—Continued

previously existing Southern California District Office except that they do not include any design and construction activities on the state water facilities. The four area branches are in the same building or adjacent buildings in Sacramento and just down the hall from a new Area Management Office, containing eleven positions budgeted at \$99,000 next year, which was established to provide line supervision over the four area offices and the Southern California District. In addition the four area branches are either in the same building or within several blocks of the Division of Resources Planning and the Division of Operations which have several hundred thousand dollars in their budgets to supervise the four area branches and the Southern California District in a staff capacity. Finally, the Chief Engineer (budgeted as engineering management) has fourteen or more positions, budgeted at \$201,014 for next year, to supervise all the above activities plus the Design and Construction Division and certain technical services. In essence a very large line and staff supervisory organization has been created in part to supervise the four new area branches, all as though these four area branches were out in the field, but in fact they occupy adjacent space in Sacramento. It needs only to be noted that if the above organization is valid and justifiable, then the decentralization was not, or vice versa.

The true costs of this reorganization are almost impossible to identify. Not only were new positions created, but there is evidence that existing positions were switched from production to staff or co-ordinating activities without actually increasing costs, but surely decreasing direct production. In addition production output dropped as shown by setbacks in completion dates of planning work. Probably more important is the fact that it now takes a conference or a committee to consider or decide a matter which previously could be handled by one or two persons. This diffusion of authority and lack of clear-cut responsibility was amply in evidence at our discussions with departmental personnel regarding the program and contents of the fiscal year 1962-63 Budget. Whereas last year two or three people could discuss all aspects of the planning budget, this year it took a roomfull of people and even then staff personnel and area branch chiefs, through no fault of their own, had difficulty in relating their individual portions of various programs to the total figures in the budget.

Although the department's decentralization report of March 1961 on page 7 cited the construction of the State Water Facilities as justification for decentralization and reorganization, the July organization plan as actually executed involved no major changes in the Division of Design and Construction but, rather, involved a major expansion of the supervisory structure in the resources planning work coupled with the addition of some operational work. This expansion in planning supervision has occurred in spite of the fact that the planning program is diminishing in magnitude and that this analysis last year pointed out on page 747 that the current year planning program (during which the reorganization occurred) was budgeted at approximately \$1,000,000 and 20 positions less than fiscal year 1960-61.

## Department of Water Resources—Continued

An organization chart published by the Assembly Interim Committee on Government Organization in its report of February 8, 1957, which was substantially the organization plan in effect before the reorganization of July 1961, shows the following divisions, branches, and sections:

Division of Resources Planning .....	3 branches	13 sections
Division of Administration .....	3 branches	8 sections
Southern California District .....	3 branches	8 sections
(Data as of November 1959)		
Division of Design and Construction .....	4 branches, including Lab.	15 sections

Various staff activities in the director's office

Totals .....	13 branches	44 sections
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By comparison, the reorganization plan of July 1961 shows:

Division of Resources Planning .....	2 branches	5 sections
Division of Administration .....	3 branches	11 sections plus one office
Division of Operations (new function) .....	3 branches	7 sections
Technical Services Office .....	6 branches	Not organized by sections
Division of Design and Construction .....	5 branches	10 sections
Assistant Chief Engineer .....	4 branches	15 sections
Southern California District .....	3 branches	7 sections
Various staff activities		

Totals .....	26 branches	55 sections
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It should be understood that it is almost impossible to get an exact comparison of two different organizations and that the above data represents only an approximation of what has occurred in the recent reorganization. Tracing the reorganization of the former Resources Planning Division gives a clearer picture of what has happened. Originally this division consisted of a Division Chief and three branch chiefs. After the reorganization the work which was originally in this division was organized as follows: the Division of Resources Planning, now a so-called staff function consisting of a division chief and two branch chiefs; the Technical Services Office consisting of a chief and six branch chiefs (some new work was added); an Office of Assistant Chief Engineer consisting of an assistant chief engineer and four area branch chiefs (some operations and maintenance was added). In a large number of instances the proposed new supervisory positions involved promotions for the personnel involved.

On March 22, 1961, the Department of Water Resources and the Personnel Board signed a letter of understanding which granted authority to the department for line supervisors to classify most engineering positions through the level of senior engineer subject to periodic post audits conducted by the Personnel Board. Simultaneously the Personnel Board established classification standards for higher grade engineering positions which are illustrative of the often criticized practice of establishing salaries on the basis of the number and grade of subordinates supervised rather than upon the duties and responsibilities of the supervisory position evaluated in terms of program and policy formulation or tech-

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nical supervision. Any deficiency in these new classification standards becomes especially significant in view of the large number of high salaried personnel in the department involved in the reorganization.

This analysis has in the past pointed out the need for certain organization changes in the department. It should be recognized that some of the changes made in the July reorganization were commendable efforts to solve real organization problems. The difficulties arise from the excesses of the reorganization. Some of these may be noted as follows: (1) important responsibilities were divided and subdivided until a number of people were responsible on paper for data collection operations, planning, and administrative functions, but were unable to exercise this paper authority because on many matters only a committee can act and only the Chief Engineer or Chief Deputy Director hold the real authority and can be held fully responsible, (2) functions such as preparation for negotiation of contracts were assigned to personnel in the area branches when the work could be performed equally as well by Division of Operations staff and when it appears that under terms of the Metropolitan Water District contract that this function will no longer be needed after the deadline of December 1963, (3) the supervision of the Sacramento River maintenance work was split between two area branches without any apparent benefits, (4) the complex planning studies pertaining to the Delta are now split between two area branches and require co-ordination by the Assistant Chief Engineer instead of being directly under the supervision of one section chief as previously, but only the Chief Engineer can co-ordinate these studies with work in the Operations Division or the line activity of staging and programming in the "staff" Division of Resources Planning, (5) while a number of personnel in the department were given well earned advancements, there were also numerous reassignments of personnel which resulted in work being performed by people who had no significant prior knowledge of it and this resulted in substantial loss in continuity with past accomplishments and problems, (6) the assignment of staff to the area branches was costly in terms of the expenditures for physical movement of personnel and equipment in Sacramento which has not yet fully been completed, and (7) large numbers of personnel providing services to the area branch planning programs or working on these planning programs have been assigned to the area branches even though there is limited stability of such workload in each area branch.

Particularly undesirable is the way that the previously scattered geologic functions have been even further scattered by the July reorganization. To compensate for this scattering of geologic personnel in every major segment of the department except the Division of Operations, more staff geologists have been provided in the reorganization to review and co-ordinate geologic activities. In past years this analysis has commented unfavorably on the organization of the geologic work. Our periodic discussions with line supervisors have not indicated the existence of any organization, procedures, or assignments of responsibility by which it could be determined who was really responsible for the geologic work. The July reorganization did not improve the situa-



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tion and it is understood that the department is considering further organization changes in the geologic work.

At the heart of the problem is the desire of each line supervisor to have his own staff of geologists, which is the present practice of the department. But the co-ordination, review and approval of line geologic work by staff geologists has resulted in the long existing unsatisfactory definition of responsibility. In any event the organization controversy over geology within the department seems to be unnecessary since the department has always spent thousands of dollars each year for independent consulting geologists to review and approve the department's work, and this includes consulting services of a geologist who formerly was an employee of the department. The controversy should not be permitted to continue involving a function as important to the department as geology.

It is apparent from the foregoing that the State has paid a price for the recent reorganization. Even though the reorganization is an accomplished fact, the question remains whether the excessive overhead costs now built into the department's organization shall be allowed to become the base for future budgets. However, the stresses and strains upon many of the department's personnel resulting from the proposed decentralization and the July reorganization have been too severe to consider any further major changes at this time.

*It is recommended that the Legislature take the following actions to bring the department's budget and organization back into line:*

1. *Eliminate or reduce the activities as recommended in this analysis under the General Investigations, Project Planning and Other Activities programs. This will tend to reduce the support base under part of the new organization and force some reduction in accompanying overhead costs.*

2. *Urge the department itself to resolve some of these problems as it becomes necessary to clarify organizational relationships and to fix responsibility as in the case of the geologic function.*

3. *Place language in the Budget Bill which will limit the amount of money which can be spent upon general administration.*

4. *Advise the Personnel Board of the Legislature's concern over the classification problem.*

## General Administration

The General Administration program finances all of the top level offices of the department and activities which the department cannot relate to any individual program, by means of an overhead charge on all salaries and wages. General Administration is budgeted at \$5,616,032 for fiscal year 1962-63, which is an increase of \$245,017 over the current year and an increase of \$1,382,316 over last year. The budget for next year shows an increase of \$334,208 for fiscal year 1961-62 over the already large increase of \$1,337,158 requested for the same year in last year's budget. The increase for fiscal year 1961-62 over actual expenditures for 1960-61 was \$1,137,299. However, compared to what was budgeted for fiscal year 1960-61 a year ago the increase in fiscal year 1961-62 was \$1,671,366.

## Department of Water Resources—Continued

Last year our analysis stated "During the current year (1960-61) the (overhead) charge was 33 percent, but this was increased by 5 percent for next fiscal year (1961-62), when it was found that the lesser charge would not return sufficient funds to pay the contemplated costs of general administration. The 38 percent charge was later found to be insufficient and rather than revise the whole budget to increase the overhead charge to approximately 43 percent to cover all costs of general administration, a special charge of \$818,000 was made against the State Water Facilities and financed under the continuing appropriation provisions of Chapter 1762." Last April the department actually changed its 38 percent charge on all activities to a two-part charge of 33 percent on General Fund activities and 48 percent on the State Water Facilities, which not only funded the \$818,000 added in last year's budget but provided additional funds to finance the reorganization. The end result, as indicated by the department to the Assembly Interim Committee on Water, for fiscal year 1961-62 was that anticipated general administration or overhead would increase by \$635,000 even though the base of salaries and wages upon which it is computed would show a decrease of \$113,000.

The rate used by the department for the preparation of next year's budget has been completely revised to form a multiple rate as follows:

<i>Organization</i>	<i>State water facilities</i>	<i>General Fund and other</i>
Division of Resources Planning -----	35.9%	30.6%
Division of Operations -----	35.9	30.6
Division of Design and Construction -----	35.7	30.4
Technical Services Office -----	—	22.2
Northern Area Branch -----	49.3	44.0
Bay Area Branch -----	53.7	48.4
Delta Area Branch -----	48.1	42.8
San Joaquin Valley Branch -----	52.5	47.2
Southern California District -----	45.6	53.3
Supervision of Safety of Dams -----	—	30.3

The department has not yet furnished this office with the dollar figures to show how the system of charges in effect during the current year and used for budgeting next fiscal year will actually distribute the costs between the General Fund and California Water Fund activities. This is a relatively simple computation to prepare from readily available program estimate sheets and should be furnished the Legislature to assist in evaluating the proposed expenditures and the method of securing the money to fund the expenditures.

For the current fiscal year the Budget Act of 1961 provided a General Fund direct appropriation of \$862,262 towards the General Administration Program costs of the department. This appropriation is not being requested for fiscal year 1962-63, but there is only a \$101,000 reduction in the total General Fund appropriation.

Although it may not at first seem possible, the reduction of \$101,000 in the Department's General Fund appropriation actually appears to accompany an expansion in the General Fund programs which may be as much as the difference between \$862,262 and \$101,000 or \$760,000.

## Department of Water Resources—Continued

In addition, simultaneously with the withdrawal of the \$862,262 direct support of general administration costs of the department by the General Fund, there has actually been an increase of \$245,017 in the department's General Administration Program. The explanation lies primarily in the \$3,084,483 increase in the California Water Fund expenditure base for fiscal year 1962-63 salaries and wages upon which the overhead charges for General Administration will be assessed during the next year. Most of these positions are in the Division of Design and Construction and would involve an overhead charge of 35.7 percent of \$3,084,483, or approximately \$1,100,000 as best we can roughly compute it. It is obvious that this will compensate for the loss of \$862,262 in direct General Fund appropriation for General Administration costs plus the \$245,000 increase in General Administration costs. In effect, during the preparation of the 1962-63 budget another \$1,100,000 in General Administration costs have been charged to the California Water Fund to be repaid by the water users even though the actual increase in the general administration costs has been \$245,000. This is why the data on the breakdown of the General Administration charge between the General Fund and the California Water Fund is important information.

The Department of Water Resources properly points out that there is a need to spend money in certain general administration activities, such as personnel recruitment, before it is possible to perform the design and construction work. It is also true with the expanding program for the construction of the State Water Facilities, that there is no agreed expenditure level which can serve as a base for analyzing subsequent growth in the general administration program and evaluating the relative impact upon the General Fund and California Water Fund. In another year when California Water Resources Development Bond Fund expenditures become larger, this will add further complications and make more difficult the formulation of a base upon which the General Administration Program of the department can properly be evaluated.

The present system of continually shifting overhead charges for general administration presents other problems. For example, in the support portion of the department's budget, a General Fund activity which is presently being charged 33 percent for overhead may show the same amount of money to be expended in the next year as in the current year, but if the overhead charge drops to 22.2 percent, as has happened in some instances, there may actually be a significant increase in the program level. Similarly, one of the activities with an increase to 53.3 percent in overhead charges will show the same amount of money in the budget but will represent a substantial reduction in the level of the program. This problem was evident in discussing the budget with line supervisors because the explanation most frequently given by them for an increase in dollars budgeted was that the overhead had gone up.

Yet another difficulty exists. The department proposes to fill approximately 498 new positions during the next fiscal year. If a substantial number of these positions cannot be filled, and this is a distinct possibility, these vacancies will not only slow down the department's design

## Department of Water Resources—Continued

and construction program, but they will also reduce the base of salaries and wages upon which the overhead charge is made. Since increasing the rates on the General Fund portion of the budget to compensate for the loss of yield derived from the overhead charge in such an event may require curtailing that program and perhaps mean reductions in staff, and since reducing the general administration program may likewise require reductions in staff, a painful decision would confront the department. The easiest solution would be to increase the rates again on the California Water Fund portion of the budget.

The department is aware that it has problems and has taken various steps to lessen these problems. It would be preferable if the department could resolve its problems by administrative action but this is unlikely in view of the large size of the overhead organization which it has just established. Since neither the Governor's Budget nor the Budget Bill contain any limitations upon expenditures for general administration by the department, and since the department's budget now is prepared so that a legislative appropriation for general administration is not required even for the General Fund portion of the department's budget, a legislative limitation in the Budget Bill is the only method of controlling the General Administration costs of the department, if they are to be controlled. An amendment can easily be drafted for insertion in the department's support budget item to accomplish this purpose. In other words, accounting and budgetary procedures provide methods to administratively establish a variable overhead charge to finance general administration, but they will not substitute for analysis and examination of the contents of the general administration program or establishing its size in relation to the need. Elsewhere this analysis recommends placing a limitation on expenditures for General Administration in the Budget Bill.

One of the most rapidly increasing activities in the General Administration program is the accounting activity. The department needs a stronger accounting structure and this office has recommended approval for such increases in the past. However, the department's budget contains a request for eight internal auditors at a cost of \$46,000 plus associated costs. This staff duplicates the seven new internal audit positions being requested by the Department of Finance to accomplish the same internal audit. Government Code Sections 13293 and 13294 place the responsibility for audit functions in the Department of Finance. On October 18, 1961 the Department of Finance informed the Assembly Interim Committee on Water that it was undertaking a "continuous comprehensive audit of all financial transactions and operations of the Department of Water Resources. . . . In order to minimize disruption of the Department of Water Resources staff, the Department of Finance will try to negotiate with the Federal Government, local contributing agencies, and water users an agreement whereby our department will perform the entire audit and be reimbursed for costs arising from expanding the audit beyond state needs."

While discussions have been held with agencies contracting to purchase water from the State Water Facilities, no agreement has been

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reached on a co-ordinated audit. Meanwhile a disagreement has occurred between the Department of Finance and the Department of Water Resources over audit responsibilities and the present budget contains an audit staff for both agencies. These duplicating audits are both proposed to be paid from the California Water Fund and to be charged to the water users for eventual repayment as a part of project costs. The burden of these audits upon the water users will be even more excessive if, in addition, it should be necessary for them to pay for their own independent audit to protect their interests.

At the present time the Department of Finance is the only agency staffed to make an internal audit of the water program expenditures. As a matter of necessity its audit must be continued. *It is recommended that the eight audit positions costing \$46,000 plus associated expenses be removed from the budget because they will duplicate the work of the Department of Finance. At such time as it can be agreed that the Department of Water Resources can conduct and supervise its own audit, the seven audit positions in the Department of Finance should be transferred to the Department of Water Resources, unless an agreement can be reached by the Department of Finance, the Department of Water Resources, the water users and possibly the federal agencies to employ one independent outside audit firm to do the audit function for all agencies. In the meantime the Department of Water Resources has to certify claims for payment and the Department of Finance audit must also serve this purpose in addition to other audit functions.*

The department's out-of-state travel budget request is almost \$55,000 for next fiscal year. Most of this money will be expended through the General Administration Program. It has been noted that the department has been represented by personnel from the middle levels of management at most of the water hearings of Assembly and Senate Interim Committees during the past year. In several instances the department was represented by personnel at the senior grade, even though the department has a large number of positions at the top levels. However, top staff personnel have consistently been available to speak before regional conferences throughout the State, to explain the department's groundwater achievements to the National Reclamation Association in Billings, Montana, and to make numerous other public appearances in and out of the State. The minutes of the December 8, 1961 meeting of the California Water Commission at the Riviera Hotel in Palm Springs showed 16 departmental personnel present, 4 commission staff members present, and in addition 2 departmental photographers were also present. A review of proposed out-of-state travel by the Director shows approximately \$8,300 contained in the department's budget plus another \$3,600 contained in the budget for the agency administrator. This total of about \$11,900 will finance the equivalent of approximately two and one-half trips to the East Coast each month during the next year. There is also approximately \$6,800 scheduled for an excessive number of departmental trips east on water bond sales matters. Departmental administrative and design and construction personnel propose to travel to Washington, D.C., and to Den-

## Department of Water Resources—Continued

ver to confer with the Bureau of Reclamation almost as if there were no Regional Office in Sacramento.

On the other hand, this office is aware that many difficult and perhaps unforeseen problems will have to be handled by the department which will require travel east next year and that it would be unwise to restrict travel unnecessarily. *It is therefore recommended that an across-the-board travel reduction of 10 percent in out-of-state and in-state travel charged to general administration be adopted making a reduction of \$5,500 and \$20,000 respectively and that the Department of Finance be urged to review all departmental out-of-state travel carefully and conservatively.*

The Public Information Office and the Photographic Laboratory present special problems in this analysis. Involved in this activity are at least the following positions:

## Existing :

Special representative of the Director	1
Public Information Officer (Sacramento)	4
Public Information Officer (Los Angeles)	1
Secretary and clerical	3
Photographer	3
Audio-Visual Specialist	1
Photocopyist	1
Chief of Graphic Services Branch	1
Intermediate Stenographer	2
New positions requested next year:	
Photographer	3
Total Positions	20

The total cost of this operation cannot even be approximated for purposes of this analysis since it is divided between the Public Information Office, the Graphic Services Branch, and charges for photographic services throughout the various programs of the department. Much emphasis is placed by the department upon the need to provide photographic records of the department's construction program. However, a close examination of the photographic activity discloses that substantial time is devoted to photographing events involving top staff of the department, securing photographs for departmental reports which add little specific information to a technical report but add to the costs of printing, as well as the preparation of movies and tapes for use of television and radio stations. A particularly undesirable feature of such television and radio work is that the material may be presented to the public as a station production when the department may have provided the material from its own or other sources. The department has acquired a television or movie and sound studio where its moving picture and taped productions are prepared. A lease was signed for \$694 a month for the term from March, 1961 to February, 1964 for the space occupied by the studio as well as the photographic laboratory. This lease includes the amortization of the capital costs of remodeling and installing soundproofing and special lights in the studio.

The existing facilities plus the three new photographers requested in the budget for next year and the proposed purchase of professional

## Department of Water Resources—Continued

sound-on-film color moving picture equipment would permit the department to undertake professional production of material for television, radio, films, departmental publications and the press. Such a program seems unnecessary for the practical day-to-day requirements of an engineering and construction agency.

The department already has five public information officer positions in addition to the special representative of the director (and various editorial aides whose duties are to work on technical reports). The quantity and nature of the recent public information services of the department have indicated that two of the public information officer positions are not needed to answer inquiries received from the public and to provide the public with the type of information it needs to be factually informed about the department's activities. The existing three photographers should be adequate to record construction progress if they are used for that purpose. The sound-on-film color moving picture equipment is probably desirable in view of the growing trend towards color photography and the desirability of color photography to record construction of historic projects.

*It is recommended that the motion picture equipment in the amount of \$10,700 be removed from the budget until the department provides the Legislature with a written justification for its use including a policy statement on the type and nature of films to be produced, that the three new photographers be removed from the budget, that two public information officer positions be abolished, and that \$8,000 for overload photographic contract services be removed from the budget, for a total reduction of \$52,000. It is further recommended that the department purchase equipment to replace the personal property now being used by the department's photographers for State use and that the schedule of photographic assignments be placed upon a priority basis to cover construction photography without involving undue uncompensated overtime.*

*Because substantial justification material pertaining to the General Administration program was not available at the publication time of this analysis, further recommendations may be made after the justification material is received.*

## Basic Data Program

The Basic Data Program shows an increase of \$151,646 next year compared to the current year. Since most of the estimated expenditure of \$2,500,959 will be in the area branches and the Southern California District and these parts of the department have had some of the greatest increase in overhead charges for general administration, it is probable that the program increase does not represent any higher levels of performance but merely an increase in overhead charges. Additional justification material showing the number of new data collection stations included in the budget has been requested but not received. When it is received and analyzed some recommendations on the Basic Data Program may be made.

## Department of Water Resources—Continued

## General Investigations and Project Planning

These two programs include the planning and investigations activities of the department. The General Investigations Program covers the department's continuing studies and investigations and shows a budgeted increase of \$573,594 compared to last year, with \$193,314 of this amount being an increase in the California Water Fund portion financed under the continuing appropriations of the Burns-Porter Act. The Project Planning Program covers planning of specific, identifiable projects and contains an increase of \$73,462, of which only \$14,001 is an increase in the California Water Fund portion financed under the continuing appropriations of the Burns-Porter Act. In the preparation of the fiscal year 1962-63 Budget it appears, therefore, that additional California Water Fund money has been used to finance the planning activities. The funds for these two programs are expended by the Division of Resources Planning, the four area branches, and the Southern California District.

Last year this analysis pointed out on page 751 that the department is tending "to anticipate planning work, to undertake investigations which have no local support and to plan further into the future. . . . A self-generated workload is built up which must be realistically limited. . . . Such work will require careful review and justification in the preparation of next year's budget to assure that the practical and realistic limits of effective planning are not exceeded. The extension of planning into future conditions is a subject worthy of careful treatment in the department's new planning manual." The department's budget shows further movement in the direction noted in the above quotation. Some of this work is of relatively low priority.

Subsequent to the approval of the water bonds in November 1960 the department has placed great emphasis upon the need to expand its overhead, to reorganize, to add staff, and generally to prepare itself for the major construction program authorized by the approval of the bonds. This is a logical development but it is a major shift in program emphasis for an agency which only a few years ago was almost exclusively a planning organization. The planning of facilities to be constructed by the State has terminated except for the planning work still underway on the San Joaquin Valley Drainage System, the Delta Water Project, the replanning of certain projects in the Feather River Basin, and the planning of additions to the Water Resources Development System in Northern California. The department is now completing a series of basinwide planning investigations which blanket most of the important streams along the eastern side of the Central Valley. Various specific local project investigations requested by the Legislature are being completed. Since the higher priority work listed above and the new groundwater investigations are either being completed or are provided for in the current budget, it seems reasonable that the time has come to reduce the size of the planning budget by eliminating low priority work now under way or proposed to be undertaken next year.

In previous discussions of the department's budget it has been pointed out that there is reason to question whether the department can fill all



## Department of Water Resources—Continued

of the 498 new positions in next year's budget, most of which are for the construction of the State Water Facilities. One ready source of skilled personnel who are familiar with the department's work is in the planning activities. A substantial number of these personnel can be transferred to the construction of the State Water Facilities if the planning program is reduced.

Finally, it has been noted that the department was unable to spend \$909,194 in support and planning funds during fiscal year 1960-61. One of the major reasons for the inability to expend available funds was probably the department's reorganization. However, our attention has not been called to any serious consequences to the State which resulted from this under-expenditure. The following savings or under-expenditures show on page 708 of the Governor's Budget:

<i>Activity</i>	<i>Amount available but unexpended in fiscal year 1960-61</i>
Departmental support -----	\$558,461
Federal-State cooperative programs -----	17,820
Planning program -----	132,680
Miscellaneous investigations -----	145,777
Colusa Basin investigation -----	20,110
Unit water use studies -----	34,346
<b>Total -----</b>	<b>\$909,194</b>

The following table shows the planning program for fiscal year 1962-63. The continuing type investigations are generally not shown since there is no completion date and the category, or type of study, has little application. The setbacks or slippages in completion dates in the fiscal year 1962-63 Budget can be determined by comparing it to the column showing the completion date for the same investigation contained in the fiscal year 1961-62 Budget one year ago:

*It is recommended for the general reasons stated above and for the specific reasons given below that the department's planning program be reduced by eliminating or reducing the following investigations:*

(a) *Water Requirements, reduce by \$300,000. This \$896,440 investigation is the largest single investigation in the department. It is inadequately defined and the funds provided have been used in the past to finance work not budgeted. The reports on water requirements which have been scheduled for publication in past years have not yet been published and there exists no formal basis to judge the effectiveness of that work. The water requirements investigation also contemplates collecting water quality data and making land use surveys of the state at five year intervals on a basis which seems to imply that the collection of this information is similar to basic data collection, that is, that historical data in these fields has great significance. The value of such data has not been demonstrated or justified for the purposes proposed in this investigation.*

(b) *Delta and Suisun Bay Pollution Investigation, eliminate entirely for a total reduction of \$256,523 of which \$125,000 is California Water Fund money. Last year this investigation was first budgeted and this*

**Project Planning Program—Department of Water Resources**

<i>Program</i>		<i>Completion date fiscal year 1961-62 Budget</i>	<i>Completion date fiscal year 1962-63 Budget</i>	<i>Estimated expenditures 1962-63</i>	<i>Item 262</i>
<b>Project Planning</b>	<b>Category</b>				
North Coastal Development Investigation	2	January 1963	June 1964	\$313,492	
Upper Sacramento River Basin Development Investigation	2	January 1963	June 1963	176,816	
Yuba and Bear Rivers Development Investigation	2	June 1962	May 1963	10,836	
Sacramento Valley Eastside Streams Investigation	2	July 1964	June 1965	107,581	
Upper Putah Creek Investigation (Reconnaissance)	1	FY 1961-62	June 1962	--	
Upper Putah Creek Investigation (Feasibility)	3	New	June 1965	69,945	
Coastal San Mateo County Investigation	2	New	June 1965	44,684	
Fish Slough Dam & Reservoir Feasibility Investigation	3	New	June 1963	56,637	
Central Coastal Planning Studies	1	Continuing	June 1964	54,695	
Feasibility of Waste Water Reclamation	2	Continuing	Continuing	41,863	
Madera Area Investigation	2	January 1964	June 1964	100,516	
Mount Shasta-Dunsmuir Area Investigation	2	June 1962	June 1962	--	
Alameda County Investigation	2	July 1961	June 1962	--	
Tuolumne County Investigation	2	FY 1961-62	March 1962	--	
Shasta Valley Investigation	2	February 1961	June 1962	--	
Northeast Counties Ground Water Investigation	Information	FY 1961-62	March 1962	--	
Mokelumne, Stanislaus, & Calaveras Rivers Basin Investigation	2	FY 1961-62	June 1962	--	
Mariposa Area Investigation	2	FY 1961-62	March 1962	--	
Colusa Basin Studies	2	FY 1961-62	March 1962	--	
West Walker River Investigation	Information	July 1961	June 1962	--	
Western Delta Investigation	3	July 1961	June 1962	--	
Delta Levees Investigation	3	July 1962	June 1962	--	
Delta Water Project Planning	3	July 1961	June 1966	436,731	
San Joaquin Valley Drainage Investigation	3	July 1963	June 1963	476,428	
Upper Feather River Advance Planning	3	New	June 1965	72,162	
Delta Project Fish and Wildlife Protection Study	3	New	June 1965	205,190	
<b>General Investigations</b>					
Water Requirements and Project Staging Investigations	Information	Continuing	Continuing	970,827	
Sacramento Valley Seepage Investigation	2	July 1963	June 1965	145,259	
Delta and Suisun Bay Pollution Investigation	2	July 1964	June 1965	256,523	
Sea Water Intrusion Studies—Southern California	Information	Continuing	Continuing	116,120	
Planned Utilization of Ground Water Basins Investigations				270,011	
Los Angeles Coastal Plain Basin	3		June 1962	--	
San Gabriel Valley Basin	3		June 1963	--	
Chino Valley Basin	3		June 1964	--	
Coachella Valley Investigation	Information	July 1962	June 1963	7,994	
San Diego Flood Hazard Investigation	Information		June 1963	20,000	
Ground Water Basin Protection Studies	Information	New	Continuing	297,000	
Flood Control Planning Investigation	Information	New	Continuing	55,571	
Basic Hydrologic Analyses	Information	Continuing	Continuing	117,327	

**Water Resources**

## Department of Water Resources—Continued

analysis pointed out certain problems involved at that time in the investigation. Meanwhile, the University of California is continuing with a study of the San Francisco Bay for the State Water Pollution Control Board for which \$455,589 has already been expended or budgeted. The Corps of Engineers have been studying water quality in the San Francisco Bay, the Bureau of Reclamation has just undertaken a \$300,000 water quality study of the Delta and funds are contained elsewhere in the department's budget for water quality sampling in the Delta and for planning the Delta Water Project. More importantly, this investigation was undertaken last year to provide data to permit the department to locate the terminus of the San Joaquin Valley Drain. Recently an agreement has been reached with the Bureau of Reclamation providing for the Bureau to build the northerly portion of the drain in a location chosen by the Bureau. Furthermore, no decision has yet been made on the nature or location of barriers in the Delta or when such barriers are needed. It is recommended that the Delta and Suisun Bay Pollution Investigation be eliminated until it is related to other studies in the Delta and justified on that basis.

(c) Unit Water Use Survey, reduce by 50 percent or \$165,000. This study is to determine how much water is used by rural and urban areas. It is not high priority work in the department's program.

(d) Land Use and Water Requirements Survey, reduce by 50 percent or \$65,000. Like the activities under (a) and (c) above, this is another activity to collect data on the uses of water and determine its future requirements, particularly in Southern California. Since the department has already made a comprehensive survey of water use in Southern California for Bulletin No. 78, and because its contracting agencies are in some cases, as they should be in all cases, making their own determinations of their own future water needs, this is a low priority activity.

(e) Saline Water Conversion Investigation and Application, reduce by \$65,000. Congress has recently de-emphasized the demonstration program and process development aspects of the federal saline conversion program. No need has been shown to develop more processes or to improve processes which are not demonstrably within the range of economic application in California. The sum of \$54,000 to contract for such process development work along with \$11,000 for the salary of a senior engineer proposed to be kept at Point Loma to observe the operations of the federal conversion plant at Point Loma should be removed from the budget. The remainder of the appropriation or \$125,000 may be re-directed, if the Legislature chooses, to determining the potential for economic application of conversion processes in California and to study the feasibility of nuclear energy to operate the pump lifts over the Tehachapi Mountains.

(f) Power Planning Studies, eliminate by removing \$55,550. This activity covers broad planning of power developments, securing market data on power for planning purposes and studies on power requirements. It is difficult to differentiate this work from activities of the Policy Staff and the Division of Operations. Because this activity does

## Department of Water Resources—Continued

not include planning of power features of specific projects, which is budgeted under the appropriate project investigation, and because of the substantial power program in the Operations Program, this activity should be discontinued.

(g) Flood Control Planning Investigation, eliminate by removing \$55,571. This activity was removed from the budget last year by the Legislature. No major change has occurred in the proposed activity except that the Corps of Engineers has asked the department to serve as a channel for applications to the Corps for flood plain zoning studies in California. To date one application has been received.

(h) Fish and Wildlife Enhancement and Recreation-State Water Facilities, eliminate by removing \$97,728. This is an activity to plan recreation and fish and wildlife enhancement facilities at reservoirs of the State Water Facilities and apparently also at specially constructed recreation ponds along the San Joaquin Valley Aqueduct. Under the analysis of the Design and Construction Program will be found comments regarding a requested Legislative Council opinion on the Davis-Dolwig Act and the source of funds for this program. The department's budget provides for the planning money to be appropriated from the General Fund pursuant to the Davis-Dolwig Act while the construction money is to be taken from the California Water Fund. Pending resolution of the funding problem and a specific justification for the proposed planning expenditure, it is recommended that this activity be removed from the budget.

(i) Upper Putah Creek Investigation, eliminate by removing \$69,945. This feasibility investigation first appeared in the budget two years ago, but was revised by the Legislature to a step-by-step investigation which would permit the Legislature and the areas involved to review developments and determine whether the progress made and the degree of agreement on the proposed type of development warranted taking further steps in the investigation. For two years the department has been working on a reconnaissance investigation of the area on the premise that its report would be available for local review and legislative study before the feasibility study was authorized. Although the department has followed the step-by-step approach, the timing of publication of the reconnaissance report for June of this year means that it is not now available when the Legislature is being asked to appropriate funds for the feasibility investigation. If the \$69,945 is appropriated this year, the original approach of the Legislature to this controversial investigation will have been foregone. It is therefore recommended that the \$69,945 for the feasibility investigation be removed from the budget until the report is received and the nature of the feasibility investigation determined.

(j) Coastal San Mateo County Investigation, eliminate by removing \$44,684. This is a study of a localized water supply problem in the coastal portion of San Mateo County so that along with other matters to be studied a local agency can apply for, and the department will have data to process, a Davis-Grunsky Act loan. This is a low priority study.

## Department of Water Resources—Continued

(k) *Central Coastal Planning Studies*, eliminate by removing \$54,695. This is a low priority general planning project which was removed from the department's budget last year by the Legislature. No significant change has occurred in the activity proposed for next fiscal year.

In summary, the above recommendations will reduce the General Investigations Program by \$1,060,372 from \$4,073,965 to \$3,013,593 and the Project Planning Program by \$169,324 from \$2,167,216 to \$1,997,892. This is a total reduction of \$1,229,696 which gives a net reduction of \$462,788 from the current year expenditure level considering the budgeted increase of \$776,908 for next year.

The department's budget for next year contains large sums of money for a very important and complex series of studies which relate to the Delta Water Project, the operation of the Delta Pool, negotiation of operating agreements with the Bureau of Reclamation for San Luis and the Delta, studies of the depletion of flows into the Delta, staging of replenishment water supplies for the Delta, and water quality problems in the Delta. This complex of studies is one of the most difficult, inter-related group of water oriented studies ever undertaken. In addition it also involves basic program and policy decisions pertaining to the Delta Water Project which the department has been revising since the preparation of the fiscal year 1962-63 Budget. It has not been possible in reviewing the department's budget to adequately identify various segments of this work which are located in the Operations Division, the Resources Planning Division, and the area branches, nor has it been possible to relate the various facets of work to one another in order to arrive at an overall comprehensive picture of the work.

It is recommended, preferably before the department's budget is approved for next year or secondly in the process of preparing the fiscal year 1963-64 Budget, that the department prepare and submit to the Legislature a comprehensive statement on the above work which includes (1) a statement of the work proposed to be accomplished during the current and budget years, (2) the precise duties and responsibilities of the various segments of the department participating in the work, (3) the inter-relationship of the various facets of the work being performed by each segment of the department, (4) the existing and proposed co-operation with local, state and federal agencies, and (5) the relationship of the budgeted work to the schedule for construction of the State Water Facilities. Such a statement will assist the Legislature in understanding the problems involved and assist the department in managing the work.

## Operations Program

The Operations Program contains the operations and maintenance of various flood control facilities, principally along the Sacramento River; the water-master service; contract negotiations, financial feasibility and operations studies on the State Water Facilities; and operation and maintenance of the completed facilities of the State Water Facilities. Total expenditures for the program are \$3,150,330 which is an increase of \$348,575 over the current year.

The Operations Program was new in the budget last year and was not very firm at that time. Improvement has taken place over the ensuing

## Department of Water Resources—Continued

year, but the operations studies and contract negotiations expenditures in next year's budget are still not as firm as might be desired. Next year's budget provides \$1,222,249 for contract negotiations, operations studies, power studies, financial and repayment analyses, etc. This should be more than ample for such studies. The department is presently going through an intense period of contract negotiation which will extend through next fiscal year after which, if negotiations go according to schedule, the expenditures for this work should decrease. Water contracts negotiation and administration should be given careful review in the preparation and review of next year's budget.

One of the new branches in the Operations Division is the Power Branch. This branch is responsible for negotiation of power sales contracts for Oroville power or other power available from the State Water Facilities and for determining the operating characteristics and plans for these power plants. The sum of \$136,213 is budgeted for three studies to do the work. This branch will also be doing work on the proposed Pacific Northwest-California high voltage power interconnection. Indications are that the federal government will be the planning and constructing agency for this high voltage interconnection, if it is built. The State of California may contract for the sale, purchase or transmission of power over the transmission system for the benefit of the State Water Facilities. The department's budget contains \$50,000 for a Pacific Northwest-California Power Intertie study, \$50,000 for a contract study of the interconnection (at the time this analysis is written the department could not determine whether these two \$50,000 studies are actually one expenditure in two forms or whether two expenditures are involved) and \$50,000 under contract services for special IBM computer services for power contract analysis. If the federal government is to assume responsibility for the high voltage interconnection with the Pacific Northwest the \$100,000 (or \$150,000, whichever is correct) will not be needed because the State will function only as a contracting agent and not as a party responsible for construction of the interconnection.

*In order to secure a policy decision and clarification of the state's policy with respect to the Pacific Northwest-California Power Interconnection, it is recommended that the sum of \$100,000 (or \$150,000) for the interconnection studies be removed from the budget.*

During the fiscal year 1962-63 the department will receive its first revenues from the State Water Facilities which are required to be deposited in the California Water Resources Development Bond Fund. The department has estimated revenues in the amount of \$10,500 from water sales at Frenchman Dam and \$464,040 from water sales to customers of the South Bay Aqueduct. In addition the first payments on principal and interest under the transportation charge on the San Joaquin-Southern California Aqueduct will be received. This advance or prepayment of principal and interest as provided by the Metropolitan Water District contract is estimated to be \$528,000 from the Metropolitan Water District and \$30,000 from the San Bernardino County Water District.

## Department of Water Resources—Continued

From the above revenues which total \$1,032,540 for fiscal year 1962-63, the sum of \$229,172 is deducted in the budget for operation and maintenance of the South Bay Aqueduct and Frenchman Dam. The Governor's Budget, on page 686, proposes that the remaining surplus of revenues and transportation charge advances over operation and maintenance costs for fiscal year 1962-63, in the amount of \$803,368, should be placed in a suspense account pending a decision on its disposition.

The policies established during the next year involving the accounting and disposition of these revenues will be of utmost importance since these policies will determine the basis for disposition of very large sums of future revenues. Some of the possible problems involved are noted below:

1. The department's budget last year established the precedent, which has been followed again this year, of paying the costs of contract negotiation and operational studies contained in the department's Operations Program portion of the budget from funds available under the continuing appropriations of the Burns-Porter Act. These costs are then capitalized since they involve costs incurred before a facility is placed in operation. In contrast the \$229,172 for operation and maintenance is for actual operation of the facilities after they are constructed and is to be paid from project revenues derived under the formulas provided in the water sales contract. Care must be exercised to assure that these two different categories of so-called operational costs continue to be fully distinguished and properly charged.

2. The major portion of the \$803,368 in surplus revenues results from advance payments of principal and interest on aqueduct facilities under the transportation charge. It would appear under the priority system contained in Section 12937(b) of the Burns-Porter Act that substantial amounts of the advances made during the period before the aqueduct to Southern California is placed in operation will flow through the first priority for operation and maintenance, through the second priority of payment of principal and interest on bonds, and finally will be deposited in the California Water Fund, which is the third priority unless the money is held in reserve accounts in the first or second priority. As an accrual to the California Water Fund the Burns-Porter Act would require the money to be used for construction of the State Water Facilities before bonds are sold. Thus, the surplus of advance principal and interest payments may be devoted to project construction, and since this is a capitalized cost it may have to be repaid in part by the same water users who advanced the money. The net result is not clear but it may be that capital contributed by certain water users may have to be repaid by the same water users, especially if the money is used for Delta Pool facilities unless accounting adjustments or new legislation can prevent such an occurrence.

3. As long as there is a surplus of advances of revenues such as the above \$803,368, there is always a temptation to use these revenues to expand the definition of operating costs incurred by the department. An example might be extraordinary costs incurred in maintaining the

## Department of Water Resources—Continued

proposed project housing at Oroville. The surplus of advances, under the transportation charge, could also be used to pay the principal and interest on bonds devoted to excess capacity in the aqueduct, to pay for defaults in payment of Davis-Grunsky Act loans, to pay principal and interest on bond funds used for Davis-Grunsky Act grants or non-reimbursable State Water Facility construction costs, or to pay for deferred payment of principal and interest on aqueduct costs under Article 45 of the Metropolitan Water District contract (service to agricultural areas).

4. It should be noted that no contract has yet been signed for the Frenchman Project even though it is completed and is storing water for delivery next summer. Whether revenues from Frenchman will be forthcoming as shown in the budget remains to be seen. Similarly the contract with the Metropolitan Water District on page 2/1 contains a provision that "no financial obligation of the District to the State shall arise or be enforceable hereunder unless and until the validity of this contract is established by final judgment." This language is not contained in the three executed South Bay Aqueduct contracts but validation is still required.

The State Supreme Court has recently decided to hear the suit for validation of the Metropolitan Water District contract. At this writing it is not known, however, when it will put the case on its calendar, how rapidly the court can proceed with the hearing, or how many interveners there may be. In the next few months the department may have to decide whether it will operate Frenchman Dam without any contract and the South Bay Aqueduct without a validated contract. In either event, it is not clear how the department can operate these projects without project revenues forthcoming since there is presently no appropriation of General Fund money for this purpose and California Water Fund money must be used first for construction of the State Water Facilities in lieu of bond proceeds.

## Other Activities

The Other Activities Program contains miscellaneous activities of the department. The activity Formation and Supervision of Public Water Districts is budgeted at \$162,921 for next year which is an increase of \$45,813 over the current year. One of the larger items of work included in this activity is the engineering study made during the formation of a water storage district. Water Code Sections 39600 to 39605 authorize these engineering studies but provide that their costs shall be paid by the district. The department advises that because not enough time is allowed in the district formation procedures the department begins its engineering studies in advance of the receipt of a petition for formation, and cannot charge all of its engineering study costs to the district but instead charges these costs to the General Fund.

*It is recommended that the sum of \$68,000, which is the budgeted cost of engineering studies the Water Code specifies should be paid by the districts being formed, should be removed from the budget and that the*



## Department of Water Resources—Continued

*department secure revisions in the procedures for formation of districts if this should be necessary.*

The Other Activities Program also includes most of the equipment pool fiscal transactions. Included in the budget for fiscal year 1962-63 is a new entry (page 690, line 30 of the Governor's Budget) to provide for a loan from the California Water Fund to the General Fund to finance automotive and heavy equipment purchases next year for construction of the State Water Facilities. *It is recommended that the Departments of Finance and Water Resources furnish the Legislature with a written statement of the equipment proposed to be purchased with this money and the accounting procedures and policies to be followed in repayment of the loan before the loan is actually made.*

## Departmental Design and Construction Costs

The department's own expenditures for design, right-of-way acquisition and contract supervision related to the State Water Facilities increases by \$2,429,580, from \$13,082,000 in fiscal year 1961-62 to \$15,511,580 next year. The department's cost for contract construction increases from \$27,955,366 in fiscal year 1961-62 to \$43,740,531 next year. (The contract construction costs are not contained in the Budget Bill but show on page 1002 of the Governor's Budget.) While this is a sizeable increase in program during the next year it does not fully reflect the very large increase in expenditure level which will occur towards the end of next fiscal year. (This increase may be more fully shown in the report required by Section 12939 of the Burns-Porter Act which will be submitted to the Legislature by the 15th day of the session.)

During the current fiscal year a contract was let for \$6,200,000 for construction of the first diversion tunnel at the Oroville Dam site. Next summer the department proposes to award a \$120,000,000 construction contract for the main embankment (the earth and rock fill dam at Oroville) of which amount only \$8,000,000 for the main embankment and \$3,300,000 for diversion tunnel No. 2 show as expenditures next fiscal year. A second contract in the amount of approximately \$20,000,000 is also to be let next year for the first phase construction of the Oroville power plant of which only \$1,300,000 shows as expenditure during the next fiscal year. Major materials contracts will be let early in fiscal year 1963-64 for the fabrication of turbines and generators for the power plant. The fiscal year 1962-63 Budget also contains \$12,246,850 for departmental costs and advances to the Bureau of Reclamation for construction of the San Luis dam which will be entering into the major construction phase during next year. In addition the budget generally provides for increased levels of expenditure all along the aqueduct route into Southern California.

The budgeted expenditures in fiscal year 1962-63 for the State Water Facilities will be critical expenditures. They will utilize most of the remaining balances in the California Water Fund during the fiscal year and will commit the State to construction on all the major features of the State Water Facilities except the Delta Water Project on the basis

## Department of Water Resources—Continued

of simultaneous construction of all these major facilities. This accelerated construction schedule presents certain problems:

1. The accelerated construction schedule commits the State to a construction schedule which was firmly recommended against in the report of Charles T. Main.

2. This office has seen no financing schedules which indicate that such an accelerated construction program can be financed by the State.

3. The award of major construction contracts at Oroville will require the issue of bonds early in fiscal year 1963-64. At the present time the water sales contract validation suit has been accepted by the State Supreme Court but it is not known when the validating action will be completed or whether a subsequent court test of the bond act will be required. The department is therefore proposing to award major construction contracts which will require bond proceeds to complete without the knowledge that the bonds can be sold.

4. The accelerated construction schedule at Oroville has resulted in the construction of diversion tunnel No. 1 under the tracks of the Western Pacific Railroad before the railroad's operations were transferred to the relocated facilities which the department is now constructing but which are not yet completed. This probably has resulted in increased construction costs because of the hazards to the railroad's operation which must be minimized at all cost. Even so, an unexpected slide occurred which endangered the railroad's operations. In addition the agreement between the railroad and the department which authorizes the construction of the diversion tunnel places the department in a minimal bargaining position with the railroad with respect to the remaining Western Pacific relocation work, since it permits the railroad to halt the tunnel construction at the railroad's discretion and thus halt the entire Oroville construction program.

5. The accelerated construction program which has followed immediately after the difficult period of departmental reorganization has created additional administrative problems in the department.

6. The problems involved in recruiting the large number of new personnel proposed to be added by the budget are likely to be unsurmountable. This, plus the very tight scheduling of work next year, leaves no slack for the unexpected delays and difficulties which almost always occur.

The fiscal year 1962-63 Budget for the department includes funds to construct the Antelope Valley Dam and Reservoir on the North Fork of the Feather River. The large sums included in the budget prompted this office to check the record on the department's ability to date to construct projects within its pre-construction estimate of costs.

	<i>Pre-construction estimated cost</i>	<i>Actual or estimated completion cost</i>
Frenchman Dam, Upper Feather River-----	\$1,469,000 (Bulletin # 59)	\$2,864,402
Antelope Valley, Upper Feather River-----	479,000 (Bulletin # 59)	2,107,821 (Fiscal year 1962-63 estimate)
Whale Rock, San Luis Obispo County-----	6,928,700	8,454,586

## Department of Water Resources—Continued

In the case of the Antelope Valley Project, the four-fold increase in costs raises a serious question whether the original justification still serves as an adequate basis for continuing with construction of the project. The project would appear to require complete replanning and re-evaluation. Since the department's planning budget contains \$72,162 (page 682, line 44) for "reformulation studies" of the Grizzly Valley Project, which is one of the five Upper Feather River Projects, and the North Bay Aqueduct has just been completely replanned and revised, it would appear appropriate to undertake a reformulation study of the Antelope Valley Project in view of the increased costs. In addition, it should be observed that approximately two million dollars is proposed to be spent to construct an artificial recreation lake to which access is very difficult. The same amount of money would pay for the equivalent of ten on-shore initial recreation developments such as is presently being built at Frenchman Dam. With the State contemplating a bond issue to pay land acquisition costs for an expanded park program, it appears questionable to construct an artificial lake when recreation sites at numerous adjacent natural lakes are undeveloped.

Last year the Legislature passed the Davis-Dolwig Act (Chapter 867) which stated that project costs allocated to recreation and enhancement of fish and wildlife shall be non-reimbursable, and that the Legislature intends that there should be included in the budget for the 1962-63 fiscal year and each succeeding fiscal year an appropriation from the General Fund for this purpose. The department's budget for the current and next fiscal years shows substantial California Water Fund expenditures for recreation and fish and wildlife as follows:

<i>Project</i>	<i>Fiscal Year</i> 1961-62	<i>Fiscal Year</i> 1962-63
Antelope Valley (Upper Feather River) -----	\$220,000	\$1,000,000
Feather River Hatchery -----	215,000	220,000
Oroville Recreation Facilities, Design -----	35,000	
Del Valle Reservoir -----	Not detailed	
San Luis Dam and Reservoir -----	Not detailed	
Cedar Springs Dam and Reservoir -----	Not detailed	
Perris Dam and Reservoir -----	Not detailed	
Frenchman Dam and Reservoir -----	112,798	

(NOTE: Projects listed above are those for which the department shows design and construction expenditures and for which a proposed recreation development is indicated in the department's 1960 Progress Report on Recreation Planning. Where dollar amounts are shown these appear to be exclusively for fish and wildlife or recreation but the extent these expenditures are for enhancement of fish and wildlife rather than preservation of fish and wildlife is not shown by the budget.)

All of the above expenditures are for recreation and fish and wildlife and appear to come under the policy stated in the Davis-Dolwig Act that the expenditures should be paid from the General Fund. Since the department's budget shows these expenditures coming from the California Water Fund, an opinion was requested and is being prepared by the Legislative Counsel regarding the source of the above funds. The opinion was not ready at the time of publication of this analysis and will probably require more information than is presently available in the Budget.

## Department of Water Resources—Continued

The department's proposed budget for fiscal year 1962-63 shows the following expenditures for construction of housing at Oroville for departmental personnel:

Design -----	\$117,000
Construction supervision -----	86,000
Contract construction -----	1,000,000
<b>Total -----</b>	<b>\$1,203,000</b>

The department has been working on a report for several months to outline this expenditure and detail it. The report has not been completed and there presently exists no justification for expenditure of this money for departmental housing.

**Loans and Grants to Local Projects**  
(Davis-Grunsky Act)

Under the provisions of the Davis-Grunsky Act the department is authorized to make loans and grants to local agencies of government to assist those agencies in the construction of water projects. The program became fully active in fiscal year 1960-61. During that year a loan for \$1,260,000 which had been authorized by the Legislature was made to the South Sutter Water District. The costs of administration during that year were \$109,686. During the current year the costs of administration are estimated to be \$254,705, and it is estimated that \$303,500 in loans and grants will be disbursed. Thus, during the current year the costs of administration will almost equal the total of the loans and grants being disbursed. During next year the estimated administrative costs are \$258,834 and it is estimated that \$800,500 in loans and \$2,050,000 in grants will be disbursed. Time is required to process applications and to negotiate the contracts for the loans or grants and it must be expected that the first administrative costs will be high in relation to the loans and grants made. However, it appears that the department's administrative costs are unusually high. They can be expected to remain high as long as the department continues to review applications in detail and insist upon lengthy, complicated contract terms which have, in case of the Ruth Project, resulted in rejection of the grant by the local agency.

**Capital Outlay for State Water Facilities**

Starting with page 691 the Governor's budget contains bar chart time schedules for the proposed capital outlay program of the Department of Water Resources for fiscal year 1962-63, that is, the construction of the State Water Facilities. Starting with page 704 the Governor's budget details the state operations portion of the capital outlay program, that is, the design, administration of land acquisition and construction supervision which have already been discussed by this analysis in preceding paragraphs under the heading of Design and Construction Program. Expenditures for cost of land acquired and contract construction, along with a recapitulation of the state operations portion of the capital outlay program, begin on page 1002 of the Governor's budget.

## Department of Water Resources—Continued

All Department of Water Resources capital outlay expenditures for the State Water Facilities (except an appropriation of \$106,866 from the General Fund to complete construction of recreation facilities at Frenchman Dam) are made in fiscal year 1962-63 from the California Water Fund pursuant to the continuing appropriations contained in the Burns-Porter Act. However, the Department of Finance has included \$19,158,103, which is the state operations portion, in the budget bill as part of Item No. 262 in the same manner as was done last year. For fiscal year 1962-63 the land acquisition and contract construction parts of the capital outlay program do not appear in the budget bill and this too is identical to the original form of the budget bill last year. *It is recommended that the land acquisition and contract construction costs amounting to \$43,740,531 be amended into Budget Item No. 262.*

During the hearings on the budget bill last year, the Senate Finance Committee amended into the budget bill subitem (e), which contained the land acquisition and contract construction portion of the department's capital outlay program. In so doing, the Senate Finance Subcommittee's report stated: "The Subcommittee recommends the addition of (e) in Item 265 (now Item 262 in the 1962 Budget Bill) so that all the department's expenditure program is in Item 265 instead of only the department's support budget and the State Operations portion of the Capital Outlay Program. The addition of Subitem (e) is consistent with the present language and contents of Item 265 which already makes reference to the continuing appropriation authority of Water Code Sections 12930 through 12942. Your Subcommittee recognizes that pursuant to Government Code, Section 10006, the Department of Water Resources, with the approval of the Director of Finance and the Governor, may increase or revise the department's program by making deficiency appropriations from the California Water Fund. However, the addition of subitem (e) provides a basis for the Legislature to review the department's Capital Outlay program and to express its intent. Your Subcommittee feels that this legislative review is essential to protect both the General Fund and the credit of the State as well as to assure the water users who will repay the project costs that the department's expenditures, both now and in the future will be wise and proper. Legislative review through hearings and public discussion is the only effective method for public evaluation of the many interests involved in the State Water Program."

In signing the budget bill last year, the Governor deleted subitem (e) and stated, "This appropriation (Sub-item (e)) is a matter of form; it adds no funds to those now available to the Department of Water Resources under the California Water Resources Bond Act approved by the people last November. I am taking this action so that no possibly confusing precedent will be established. The Bond Act itself completes the act of appropriation for direct acquisition and construction of the state water resources system, and no further legislative action is required in this or future budgets."

## DEPARTMENT OF WATER RESOURCES

ITEM 263 of the Budget Bill

Budget page 669

FOR SUPPORT OF THE DEPARTMENT OF WATER RESOURCES BY  
TRANSFER FROM THE GENERAL FUND TO THE WATER  
RESOURCES REVOLVING FUND

Amount requested .....	\$10,138,000
Estimated to be expended in 1961-62 fiscal year .....	10,286,318
Decrease (1.0 percent) .....	\$101,318

See analysis of preceding Budget Item.

## STATE WATER RIGHTS BOARD

ITEM 264 of the Budget Bill

Budget page 709

FOR SUPPORT OF THE STATE WATER RIGHTS BOARD  
FROM THE GENERAL FUND

Amount requested .....	\$834,062
State employees' retirement .....	51,696
State employees' health and welfare .....	5,340
Total .....	\$891,098
Estimated to be expended in 1961-62 fiscal year .....	871,850
Increase (2.2 percent) .....	\$19,248

TOTAL RECOMMENDED REDUCTION..... None

## ANALYSIS

The State Water Rights Board was created as an independent state agency in 1956, and is responsible for administration of the appropriation of unappropriated water, assistance in the determination of water rights through the court reference and statutory adjudication procedure, and administration of the recordation of certain data on ground water extractions in southern California. The board, which consists of three members appointed by the Governor, is principally concerned with the conduct of hearings to decide conflicting applications for permits to appropriate water. The board staff devotes much of its time to the processing of unprotested applications, investigation and analysis of the facts relative to protested applications, and insuring through permit and license inspection that appropriated water is actually put to beneficial use. The board is now a part of the Resources Agency.

Proposed 1962-63 expenditures for support of the board continue at approximately the same level as the current year, with no new positions requested at this time.

*It is recommended that this item be approved.*

Our analysis of the 1961-62 Budget recommended that the board review the history, purpose, and intent of the relevant statutes concerning reimbursement of state expenses in the application and permit process. The report was requested to help in evaluating the need for possible revision of the fee structure in the application and permit process to make these activities more nearly self-supporting. The board has prepared and submitted such a report. A major conclusion of the study is that there has never been a truly rational fee structure based

## State Water Rights Board—Continued

on reimbursing the State for services performed for applicants to appropriate water. Over the years most public agencies have been exempt from the payment of fees and fee structures appear to have been instituted more as a control device than a source of revenue. The fee payment now falls upon the private parties who apply for permits.

## Department of Water Resources

## RECLAMATION BOARD

ITEM 265 of the Budget Bill

Budget page 711

FOR SUPPORT OF THE RECLAMATION BOARD  
FROM THE GENERAL FUND

Amount requested .....	\$170,862
State employees' retirement .....	39,439
State employees' health and welfare .....	4,080
<b>Total .....</b>	<b>\$214,381</b>
Estimated to be expended in 1961-62 fiscal year .....	211,049
<b>Increase (1.6 percent) .....</b>	<b>\$3,332</b>

TOTAL RECOMMENDED REDUCTION..... None

## ANALYSIS

The Reclamation Board was created in 1911 with the basic responsibility of controlling the flood waters of the Sacramento and San Joaquin River systems. In 1957, the statutory codification which clarified the status of the remaining state water agencies to the newly created Department of Water Resources authorized continuation of the Reclamation Board within the department, although it was to continue its independent powers, responsibilities and jurisdiction. The board consists of seven members appointed to serve at the pleasure of the Governor, with no specific requirements for representation of the membership. The board is now a part of the Resources Agency.

The board's general objective of controlling flood waters has been translated into several specific responsibilities, such as the acquisition of lands, easements, and rights-of-way and the relocation of utilities necessary to the construction of certain flood control projects by the U. S. Corps of Engineers, the fulfillment of certain construction obligations assumed by agreement with the federal government, and the issuance of permits for local construction and encroachment on rivers within the board's jurisdiction.

The 1962-63 budget request of \$214,381 for support of the board is \$3,332, or 1.6 percent greater than estimated expenditures for the current year. Although this is a small increase, *total* support and local assistance costs of the board are \$706,967, which represents a \$25,343, or 3.7 percent increase over estimated total current year expenditures of \$681,624. This situation results from the practice of showing only a portion, in this case approximately 30 percent, of the total support expenditure in the support budget. The balance of \$492,586, or approximately 70 percent, is reimbursed to the board from expenditures shown in the local assistance section of the budget.'

## Reclamation Board—Continued

Because there is no limitation on the reimbursements the board may receive from the local assistance portion of the budget, additional funds may be derived during the course of the fiscal year by increasing these reimbursements over the amount originally budgeted. In the current year these reimbursements were increased from \$437,501 to \$470,575 primarily to cover the addition of six positions to the board's staff. This ability to adjust reimbursements enabled the board to add and fill these positions after budget approval without legislative review. Although it appears that the peaking workload to be carried by these new positions could be accomplished equally well on a contract basis, these positions have now been established and filled for some time.

*To preclude a similar situation in the budget year, it is recommended that this budget item be amended to read "and provided further that no more than \$492,586 be transferred from item 410 to this item."*

## COLORADO RIVER BOARD

ITEM 266 of the Budget Bill

Budget page 713

FOR SUPPORT OF COLORADO RIVER BOARD  
FROM THE GENERAL FUND

Amount requested .....	\$222,710
State employees' retirement .....	11,940
State employees' health and welfare .....	1,164
<b>Total</b> .....	<b>\$235,814</b>
Estimated to be expended in 1961-62 fiscal year .....	232,999
<b>Increase (1.2 percent)</b> .....	<b>\$2,815</b>
<b>TOTAL RECOMMENDED REDUCTION</b> .....	<b>\$9,000</b>

## Summary of Recommended Reductions

	Amount	Budget Page	Line
Services—attorneys and special representatives .....	\$9,000	713	63

## ANALYSIS

The Colorado River Board was created in 1937 with the primary objective of protecting the rights of certain local public agencies to the use of Colorado River water. The board, which is composed of the representatives of six local irrigation and water districts in Southern California, implements this objective by compilation and analysis of certain engineering and legal data pertaining to the utilization of Colorado River water, appearances before Congress and interested federal agencies, and conferences with other states in the Colorado River Basin regarding existing and proposed developments on the river system.

The board's proposed budget for fiscal year 1962-63 continues the same program level as contained in the current fiscal year. Included once again in the budget request is \$9,000 for a contract covering the personal services of Northcutt Ely, Attorney at Law, in Washington, D.C. This contract has been renewed annually since 1953. The terms of the existing contract do not specify or limit the nature of the services



## Colorado River Board—Continued

to be rendered. Last year we recommended that the Department of Finance review this contract to determine exactly what services have been rendered for the board and to make the contract terms more specific. A new and more specific contract has been drafted, but it has not been agreed upon by the parties involved and no one knows whether it will be executed. Under these circumstances, we cannot recommend inclusion of another \$9,000 for this contract in fiscal year 1962-63 until it is clearly established what the services are and how they will be rendered. *It is recommended that \$9,000 for services—attorneys and special representatives be removed from the budget.*

Our analysis last year also contained the following language which is repeated this year as being equally applicable. "Although the Water Code specifies that all records of the board are confidential, this requirement is clearly inconsistent with the purposes of a public agency and recent legislative policy. The Water Code also notes that the board shall make such reports as it deems necessary. As the board has been engaged in some important work over the years, an annual report to the public summarizing its activities and significant accomplishments might well be justified."

For several years this analysis has recommended that the Colorado River Board be abolished. This recommendation was also made by the Governor to the Legislature last session. During early 1962 the final arguments will be made before the U.S. Supreme Court in the case of Arizona vs. California. After the decision of the court is handed down, it should be carefully reviewed to determine the provisions relating to the contractual relationship prescribed therein between the Secretary of Interior and the constituent water agencies of the Colorado River Board. Depending upon the terms of the decision, there may be no need to continue the board either as an intermediary between the Secretary of Interior and his contractees or for most of the Board's other present activities.

## KLAMATH RIVER COMPACT COMMISSION

ITEM 267 of the Budget Bill

Budget page 714

FOR SUPPORT OF THE KLAMATH RIVER COMPACT COMMISSION  
FROM THE GENERAL FUND

Amount requested .....	\$5,697
Estimated to be expended in 1961-62 fiscal year .....	5,698
Decrease .....	\$1

TOTAL RECOMMENDED REDUCTION .....	None
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## ANALYSIS

The Klamath River Compact Commission was created in 1957 with approval by Congress of the terms of the interstate compact between California and Oregon. The compact was ratified by the California Legislature with passage of Chapter 113, Statutes of 1957.

The commission is composed of the California Director of Water Resources, the Oregon State Engineer and an appointee of the Presi-

**Klamath River Compact Commission—Continued**

dent representing the federal government. The major objective of the commission is the orderly, integrated, and comprehensive development and conservation of the waters of the Klamath River Basin for irrigation, domestic, industrial, fish and wildlife, recreation, power, flood control, and navigation uses.

The program is continued at the same level as last year.

*Approval of this request is recommended.*

Although the situation is continuing to improve, it appears that the funds deposited in the trust account have been somewhat excessive and can be reduced even further than has occurred.

**CALIFORNIA-NEVADA INTERSTATE COMPACT COMMISSION**

ITEM 268 of the Budget Bill

Budget page 715

**FOR SUPPORT OF THE CALIFORNIA-NEVADA INTERSTATE  
COMPACT COMMISSION FROM THE GENERAL FUND**

Amount requested .....	\$95,821
State employees' retirement .....	869
State employees' health and welfare .....	60
<b>Total</b> .....	<b>\$96,750</b>
Estimated to be expended in 1961-62 fiscal year .....	98,000
<b>Decrease (1.3 percent)</b> .....	<b>\$1,250</b>
<b>TOTAL RECOMMENDED REDUCTION</b> .....	<b>\$19,628</b>

**Summary of Recommended Reductions**

	<i>Amount</i>	<i>Budget Page</i>	<i>Line</i>
Reduction in services by Department of Water Resources ..	\$19,628	716	8

**ANALYSIS**

The California-Nevada Interstate Compact Commission was established in 1955 to negotiate with a similar commission representing the State of Nevada in the formulation of a compact covering the distribution and use of the waters of Lake Tahoe and the Carson, Walker, and Truckee Rivers. When the commissions of the respective states and interested federal agencies have agreed on the terms of the compact, it will be submitted to the Legislatures of California and Nevada and the Congress for approval. Membership of the commission consists of the Director of Water Resources and six members appointed by the Governor from among persons residing, owning property, or engaged in business in the basins of the Carson, Walker, and Truckee Rivers and Lake Tahoe.

The California commission is entering its seventh year of work, and although considerable technical data has been obtained, at a cost to California alone of approximately \$500,000, there has been only limited agreement on compact terms. Our analysis of the 1961-62 Budget request stated that "the commission initially anticipated that compilation of much of the basic data would be completed in the first two or three years, with the remaining steps being the analysis and translation of this information into compact terms. Accordingly, several predictions were

## California-Nevada Interstate Compact Commission—Continued

made of tentative dates for submission of the completed compact to the respective legislatures. In fact, the Governor's Budget for 1961-62 indicates that the commission is hopeful for completion of its work by the end of fiscal year 1961-62." The 1962-63 Budget request makes a similar prediction that the commission may conclude negotiations and submit the proposed contract for local, state, and federal approval in the budget year. In view of the limited progress to date, such an eventuality appears to be highly optimistic. In fact, the Nevada commission has no funds available to finance its activities for the remaining half of the current year, and is making efforts to secure emergency support until additional funds become available on July 1, 1962.

The 1962-63 Budget request of the commission is \$1,250, or 1.3 percent less than estimated current year expenditures. The proposed budget year expenditures would actually increase by some \$4,750, or 5 percent, if reimbursements from the Klamath River Compact Commission were made in both the current and budget years, instead of only the budget year.

Effective July 1, 1961, the commission appointed a former assistant engineer in the Department of Water Resources to a newly created position of "Executive Director" of the California-Nevada Interstate Compact Commission as an exempt position pursuant to constitutional authority. The salary range of this position was originally established at \$998 to \$1,048 per month by the commission, which is approximately \$300 per month more than the former salary of the appointee. This was subsequently revised to \$905 per month, the amount requested in next year's budget.

Prior to this appointment, the bulk of commission expenditures went to the Department of Water Resources for staff services. The department's staff services were under the supervision of the same person recently appointed as Executive Director of the commission. As there appears to be little difference in the work to be performed, the net result of this transaction seems to be a substantial increase in pay for the appointee. Further, the commission was created as a temporary State agency for the purpose of resolving specific problems, and the appointment of an executive director at this late date does not appear to be consistent with an early termination of its duties. It should also be noted that the Executive Director of the commission is now supervising the work of employees of the Department of Water Resources. As a result, the responsibility for supervising staff services and accomplishing objectives has become complex and obscure among the Department of Water Resources, the California-Nevada Compact Commission, and the Klamath Compact Commission.

The commission is requesting \$81,201 for 1962-63 contract services from the Department of Water Resources, which is a \$3,764 increase over the adjusted expenditures for the current year. The Department of Water Resources budget request shows \$61,573, which is \$19,628 less than in the California-Nevada Compact Commission Budget. *To ensure that both budget requests are consistent, it is recommended that the request for services by the commission be reduced by \$19,628 to \$61,573.*

## California-Nevada Interstate Compact Commission—Continued

Because of the difficult problems these negotiations are attempting to resolve, and the length of time they have been carried on, it is appropriate for the commission to submit a report to the Legislature on the negotiations to date. *It is therefore recommended that prior to Legislative hearings on the 1963-64 Budget request, and as part of the fiscal year 1963-64 Budget justification, the commission submit a report to the Legislature on: (1) The specific problems and issues, including water rights and economic problems, which have been resolved and agreed upon in the form of compact terms, and (2) The specific problems and issues which remain to be resolved by the commissions, in order of their relative significance to final agreement on all compact terms.*

## WATER POLLUTION CONTROL BOARD

ITEM 269 of the Budget Bill

Budget page 716

FOR SUPPORT OF THE WATER POLLUTION CONTROL BOARD  
FROM THE GENERAL FUND

Amount requested	\$918,503
State employees' retirement	37,499
State employees' health and welfare	3,132
Total	\$959,134
Estimated to be expended in 1961-62 fiscal year	949,370
Increase (1 percent)	\$9,764
<b>TOTAL RECOMMENDED REDUCTION</b>	<b>\$15,000</b>

## Summary of Recommended Reductions

	Amount	Budget Page	Line
Regional boards, traveling—in-state	\$15,000	718	47

## ANALYSIS

The Water Pollution Control Act of 1949 established a State Water Pollution Control Board and divided California into nine water pollution control regions, each of which is administered by a semiautonomous regional board.

The state board, which consists of the Directors of Water Resources, Fish and Game, Public Health, Agriculture, and Natural Resources, plus nine members appointed by the Governor, is responsible for the formulation of statewide policy for the control of water pollution, the administration of statewide programs of federal financial assistance for water pollution control, the administration of statewide research programs into the technical phases of water pollution control, the correction of pollution conditions not corrected by regional boards, and the co-ordination and submission of budget requests for the regional boards.

The regional boards consist of seven members appointed by the Governor and are responsible for a long-range regional plans and policies for water pollution control, recommendations of projects for federal financial assistance, co-ordinated programs of abatement and prevention of water pollution, encouragement and assistance in the development of self-policing waste disposal programs, requests for enforcement of water pollution laws by appropriate federal, state, and local agencies,

## Water Pollution Control Board—Continued

prescription of discharge requirements for all existing and proposed waste dischargers, and issuance of cease and desist orders in cases of noncompliance with discharge requirements.

The appropriation for the Water Pollution Control Board is increased only slightly for the next fiscal year. More than one-half of the \$1,141 General Fund increase is represented by the addition of pro-rata costs of the Resources Agency.

For the current fiscal year and fiscal year 1962-63 the contribution of the federal government to the State's water pollution control program has approximately doubled to \$259,000. This sudden large increase in federal funds has made it difficult to schedule wise expenditure of the increased funds.

We have been increasingly critical of the uncertain division of authority and activities among the State and Regional Water Pollution Control Boards, the Department of Water Resources, the Department of Fish and Game, and the Department of Public Health, both in the conduct of studies and investigations pertaining to water quality or pollution and the lack of any co-ordinated program among these agencies for the collection and analysis of water quality and waste discharge samples. The Legislature amended Item 272 of the 1961 Budget Act to provide authority and direction for a specific study "covering the co-ordination, collection, analysis, reporting and utilization of water quality and water pollution data" among the above agencies. The Department of Finance was authorized to determine the content of the study and to provide for its financing.

Some progress has been made. The State Water Pollution Control Board established an Interagency Staff Working Group which has met on several occasions and has provided a means to co-ordinate a number of important water quality and water pollution studies among the agencies. The authority granted to the Department of Finance by Item 272 of the Budget Act has not been used to date. Although several subjects have been referred to the Interagency Staff Working Group involving the expenditure of additional funds, the subject matter of the study directed by the Legislature in Item 272, which was an effort to save money, has not been referred to the Interagency Group and no action has been taken.

The Legislature has been reluctant to provide additional funds for new positions requested by the State Water Pollution Control Board until some of the water quality and waste discharge monitoring problems have been resolved. However, during the summer, the state board received additional funds from the federal government and promptly used part of these funds to establish four new positions in the regional offices to be used primarily on waste monitoring programs. If additional federal funds are available to increase the staffs of the regional boards rather than using additional state funds, we do not disagree with placing these positions in the Central Valley, Santa Ana and San Diego regional offices, as has been done. In view of the inability of any or all of the water quality sampling and waste discharge monitoring agencies of the State to demonstrate that their combined activities constitute

**Water Pollution Control Board—Continued**

an efficient and economical solution to the sampling and discharge problem, and their unwillingness to undertake the study directed by the Legislature through Item 272, it appears to be improper to use these four new positions primarily for waste discharge monitoring. Since there probably is sufficient work for these positions in the office, without traveling in the field on monitoring activities, the monitoring work of these positions should be dropped.

*It is recommended that \$15,000 in General Fund travel money be removed from the budget of the Water Pollution Control Board to prevent the four new assistant engineer positions, or the equivalent manpower, from traveling to monitor discharges. This reduction is less than the \$18,000 increase in the General Fund appropriation by the State during the period involved in the expansion of federal contributions and should not represent a reduction in the State's program level. It is also recommended that the budget item for the Water Pollution Control Board be amended to reinsert in the Budget Bill for 1962 substantially the same study of "co-ordination, collection, analysis, reporting and utilization of water quality and water pollution data" but that the study be made mandatory rather than permissive. Ample federal funds are currently available to finance the study. In other regards approval of the item is recommended.*

**GOOSE LAKE COMPACT COMMISSION**

ITEM 270 of the Budget Bill

Budget page 721

**FOR SUPPORT OF THE GOOSE LAKE COMPACT COMMISSION  
FROM THE GENERAL FUND**

Amount requested .....	\$5,000
Estimated to be expended in 1961-62 fiscal year .....	3,000
Increase (66.7 percent) .....	\$2,000

<b>TOTAL RECOMMENDED REDUCTION .....</b>	<b>None</b>
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**ANALYSIS**

The Goose Lake Compact Commission was created by Chapter 1389, Statutes of 1961. The function of this commission is to cooperate with the State of Oregon and the federal government in the formulation and approval by the respective state Legislatures and the federal Congress of an interstate compact providing for the distribution and use of the waters of Goose Lake. Commission membership consists of the Director of Water Resources, the Director of Fish and Game, and three members appointed by the Governor from Modoc County residents engaged in agriculture, fishing, and other industries. Compensation for individual commission members is limited to necessary expenses, and the commission is authorized to incur other necessary expenses.

The commission members were appointed in December, and therefore the proposed expenditures for the current and budget years are estimates only. Current year expenditures are being made out of an allocation from the Emergency Fund.

*It is recommended that this request be approved.*