

Public Utilities Commission—Continued

In any operation where cases are filed on a daily basis during a given year there must always be "work in process at the year's end" since cases filed a few weeks or days or even months prior to the year's end cannot normally be processed before the termination of the annual period. These then are "pending cases." At the end of 1959-60 fiscal year the backlog was reported to be 700 cases.

We can find no meaningful statement as to what the backlog or pending cases truly represents in terms of not providing adequate service to the public.

RESOURCES AGENCY ADMINISTRATOR

ITEM 250 of the Budget Bill

Budget page 824

FOR SUPPORT OF THE RESOURCES AGENCY ADMINISTRATOR FROM THE GENERAL FUND

Amount requested	\$163,967
Estimated to be expended in 1965-66 fiscal year	124,566
Increase (31.6 percent)	\$39,401
Increase to improve level of service	\$24,000
TOTAL RECOMMENDED REDUCTION	\$10,000

Summary of Recommended Reductions

	<i>Amount</i>	<i>Budget Page</i>	<i>Line</i>
Eliminate Redwood Road Commission	\$10,000	824	59
Eliminate Coordination of Recreational Programs, \$23,788, payable from the Federal Land and Water Conservation Fund		824	44
Eliminate Study of Recreation Economies, \$75,000, payable from the Federal Land and Water Conservation Fund		824	40
Transfer the following programs to the Department of Parks and Recreation, payable from the Federal Land and Water Conservation Fund:			
Recreation Program Evaluation, \$50,000		824	59
Maintenance of California Outdoor Recreation Plan, \$65,000, and finance from the General Fund		824	32
Accounting Services, \$13,000		824	53
Eliminate maintenance of Fish and Wildlife Plan, \$40,000, or finance from the Fish and Game Preservation Fund		824	47

GENERAL PROGRAM STATEMENT

The Resources Agency was established by Chapter 2037, Statutes of 1961. Under the direction of the administrator, it provides overall coordination and guidance in behalf of the Governor over the resources programs of the state. Included in the agency are the departments of Water Resources, Parks and Recreation, Conservation, Fish and Game, and a number of smaller boards and commissions.

ANALYSIS AND RECOMMENDATIONS

The budget for the office of the Resources Agency Administrator provides for the administrator, an assistant administrator, a resources planning coordinator, a recreation planning coordinator, a federal project coordinator and five secretaries. The total expenditure for the

Resources Agency Administrator—Continued

administrator's office is budgeted at \$163,967. This compares with \$124,566 for the current fiscal year.

The Delta Recreation Study, which has previously been budgeted in the administrator's office, is being completed during the current year pursuant to schedule and the report is expected to be released to the Legislature shortly after the beginning of the session. Therefore, the position of coordinator for the Delta Recreation Study and continuing support for the study at an approximate level of \$35,000 to \$40,000 are being dropped from the budget.

Last year this analysis commented extensively on the planning activities of the Resources Agency and the borrowing of four positions from the departments of the agency which were assigned to the administrator's office. With the completion of certain phases of the Resources Agency's work on the State Development Plan, three of the four positions have been returned to their departments and the administrator's office expects that the fourth position will be returned in the immediate future.

We also commented unfavorably last year on the large number of interdepartmental committees existing in the Resources Agency. It was noted that the appointment of these committees tends to undercut the authority of the department directors, to diffuse responsibility among the departments of the Resources Agency, and to centralize control in the administrator's office as the only medium for decision making. Resources Agency orders numbers 19 and 20, issued in 1965, establish a new pattern for handling Resources Agency review of certain federal projects. The orders designate agency officials who are given the direct responsibility to review the projects and the responsibility for preparing a coordinated position for the state. This practice of fixing responsibility and, where possible, utilizing existing positions is preferable, we believe, to the appointment of committees.

The agency's work on the State Development Plan has progressed during the past year but not without certain difficulties. The Fish and Wildlife Plan was released by the Department of Fish and Game on schedule but the recreation element of the State Development Plan being prepared by the Department of Parks and Recreation, the program and policy review being prepared by the administrator's office, and the status report on the California Water Plan being prepared by the Department of Water Resources have been delayed for several months. It is not possible to review the overall accomplishments of the Resources Agency in its recent planning endeavors until these reports are available.

The budget for the Resources Agency Administrator raises several important questions regarding the allocation of federal funds available for expenditure in California pursuant to the Federal Land and Water Conservation Fund Act. Under the above act, federal funds largely derived from entrance fees at federal recreation facilities are distributed to the states for use by the states and local government in the acquisition and development of recreational facilities.

Resources Agency Administrator—Continued

In anticipation of this program, the Legislature last session approved AB 56 which designated the Resources Agency Administrator as the agent to allocate the federal funds. The bill, however, provided that all expenditures of the federal funds should be made pursuant to appropriation by the Legislature. The Governor did not sign the bill.

The Governor administratively designated the Resources Agency Administrator as the state's representative to administer and apportion the federal funds. The administrator in turn designated the Department of Parks and Recreation as the action agency to administer the program. A total of \$4.8 million has become available to California for expenditure during the 1966-67 fiscal year. The expenditure of this money is provided in the Governor's Budget for next year and is distributed as follows: \$266,788 to the Resources Agency Administrator; \$462,370 to the Wildlife Conservation Board; and \$4,066,045 in grants to local agencies for local or regional park acquisition and development. The Governor's Budget shows the above expenditures but they are not included in the Budget Bill.

Under our analysis of the capital outlay program of the Department of Parks and Recreation, will be found extensive comments on the proposal in the Governor's Budget to apply the federal funds next fiscal year to local nonstate projects at a time when the state is unable to finance adequately the development of new acquisitions and existing properties in its own state park system. A series of recommendations is made in the capital outlay item for reduction of the General Fund appropriation for development of the State Park System and substitution of Federal Land and Water Conservation Fund money in its place. That recommendation also relates to the following comments on the proposed expenditures of Federal Land and Water Conservation Fund grants in the Office of the Resources Agency Administrator and makes a package recommendation.

The Federal Land and Water Conservation Fund Act requires that all grants be matched equally. The Governor's Budget is prepared on the basis that matching for the above expenditures will be from undesignated funds in either the current or budget years. This approach eliminates any legislative direction over the federal expenditures since the Legislature does not know what appropriations it has made in the past or will make in the future for matching purposes. Since the matching may be for different fiscal years or different purposes within the authorized program at different locations and on different projects, the Legislature has no basis for determining the effect of appropriations it makes this year in relationship to future allocations of federal funds.

The proposed expenditures for new programs in the administrator's office to be financed from the Land and Water Conservation Fund involves certain work of substantial importance to the recreation and fish and wildlife programs in California. The effect of the matching requirements in the federal act is being masked, as noted above, by the obscure method in which the matching is handled in the Governor's Budget. For all practical purposes, the new programs are being added

Resources Agency Administration—Continued

in their entirety with federal money without corresponding matching financing by the state. Eventually the state will be required to continue several of these programs from its own financial resources. They are important and should be undertaken only on a long-term basis. It is a matter of sound financial management to undertake long-term programs only with the type of financing that will be continued through the indefinite future. For this reason, General Fund financing is proposed for the various programs discussed below except the maintenance of the fish and wildlife plan which should be charged to the Fish and Game Preservation Fund.

When the Resources Agency was established, the Legislature did not contemplate a new office to administer action programs. Thus, Government Code Section 12850 states: "The administrator of each agency has the power of general supervision over, and is directly responsible to the Governor for, the operations of each department, office, and unit within the agency." Section 12851 states, "Each administrator shall develop and report to the Governor on legislative, budgetary, and administrative programs to accomplish comprehensive, long-range, coordinated planning and policy formulation in the matters of public interest related to his agencies, employ staff and consultants, and appoint advisory and technical committees to assist in the work."

The Legislature, with the exception of the Delta Recreation Planning Study, has not encouraged the Resources Agency Administrator to become the agent to execute action programs. The departments of the Resources Agency have the personnel and capabilities necessary to carry out action programs. These departments also have accounting, budgeting and administrative staffs which permit them to manage programs within their respective assigned responsibilities. Since the Legislature has not provided that the administrator's office should become an action agency, it does not appear appropriate for this objective to be achieved through the allocation of federal funds. For this reason the execution of programs financed by federal funds should be budgeted and carried out in the appropriate department of the Resources Agency.

The administrator's office has budgeted \$266,788 in Land and Water Conservation Fund money for expenditure in the administrator's office or for transfer to the Department of Parks and Recreation and the Department of Fish and Game by contract for the following programs and activities:

1. Coordination of Recreational Programs

The administrator's office proposed the addition of one professional and one clerical position to coordinate recreational functions. The primary function of this position appears to be similar to the statutory functions of the Department of Parks and Recreation. The major responsibility for coordination of recreation activities in California lies with the Department of Parks and Recreation. The position of coordinator and secretary are not needed.

Resources Agency Administration—Continued**2. Recreation Program Evaluation**

This \$50,000 program is to administer projects proposed for financing from the Land and Water Conservation Fund. The work will be performed by the Division of Recreation which has been designated the state's agent to review all projects to show conformance with California's plans and federal grant requirements. The expenditure of federal funds for this purpose appears appropriate but the money should be allocated directly to the Department of Parks and Recreation.

3. Maintenance of California Outdoor Recreation Plan

The Department of Parks and Recreation has received a federal planning grant to prepare the recreation element of the state development plan. The budget would allocate \$65,000 for contract by the Administrator with the Department of Parks and Recreation in a continuing effort to upgrade and keep current the information in the plan. The money is budgeted to come from the Federal Land and Water Conservation Fund. The work is more appropriately a long-term program which should be undertaken only if the General Fund finances it. We believe the General Fund should finance the work and that the appropriation should be made directly to the Department of Parks and Recreation.

4. Study of Recreation Economics

The sum of \$75,000 in Federal Land and Water Conservation Fund money is proposed to be expended for a study to determine base values for recreation and fish and wildlife so that uniform data can be applied throughout all elements of Resources Agency planning. The purpose of the study is desirable but it is partially similar to the recreation economic study which the Legislature declined to finance last session. The purpose is also similar to a study being conducted by the University of California and the University of North Carolina for the federal government. Finally, in our view, the evaluation techniques already developed by the Department of Parks and Recreation for use in selecting projects to be acquired under the Recreation Bond Act promises good results when applied more broadly. The recreation economic study should not be undertaken until further work has been performed by the Department of Parks and Recreation on its approach.

5. Accounting Services

The sum of \$13,000 is budgeted for expenditure by the Department of Conservation under contract with the administrator's office from Land and Water Conservation Fund money for accounting and auditing services required in spending the federal money. The primary responsibility for recreation at the state level lies in the Department of Parks and Recreation, and the accounting services should be performed in that department, rather than the Department of Conservation, with the money allotted directly.

6. Maintenance of the Fish and Wildlife Plan

There is considerable uncertainty regarding the purposes of this work and how it relates to other planning works in the Department of

Resources Agency Administration—Continued

Fish and Game. The work should be eliminated or financed with Fish and Game Preservation Fund money.

Two new General Fund expenditures are proposed in the administrator's office for next fiscal year. A coordinator for review of federal project reports and one clerical position are proposed to assist the administrator in the coordination of review and comments made by the various departments of the Resources Agency and other elements of state government on the wide variety of federal reports received for study and comments. This is an appropriate function of review and coordination for the administrator's office and should be approved.

The administrator's budget also includes \$10,000 in General Fund money to pay the expenses next fiscal year for a proposed Redwood Road Commission to work on the development of a redwood parkway between San Francisco and Oregon. Legislation to establish the commission is to be introduced during the forthcoming special session. The legislation can include the funding for the commission, and its inclusion in the support budget of the administrator's office is not recommended.

It is recommended that the Legislature approve two positions for review of federal project reports; that the study of recreation economics (\$75,000) and the coordination of recreational programs (\$23,788) be removed from the budget; that the recreation program evaluation (\$50,000), the maintenance of California Outdoor Recreation Plan (\$65,000), and accounting services be budgeted with the Department of Parks and Recreation; that \$65,000 in General Fund financing be provided for maintenance of the California Outdoor Recreation Plan; and finally, that the maintenance of the Fish and Wildlife Plan (\$40,000) be eliminated or financed from the Fish and Game Preservation Fund.

Corresponding reduction in the capital outlay budget of the Department of Parks and Recreation for development of the State Park System, are recommended under the analysis of that program to offset the increased General Fund costs recommended above by substituting Federal Land and Water Conservation Fund money. This will result in using federal grant money where it is most needed and where it will not tend to commit the state to further increases in General Fund expenditures in future years. In other respects approval of the item is recommended.

DEPARTMENT OF CONSERVATION

ITEMS 251 and 254 of the Budget Bill

Budget page 826

FOR SUPPORT AND AUGMENTATION OF THE DEPARTMENT
OF CONSERVATION FROM THE GENERAL FUND

Amount requested:

Continuing support ----- \$31,480,686

Augmented support ----- 532,722

\$32,013,408

Estimated to be expended in 1965-66 fiscal year ----- \$31,052,794

Increase (3.1 percent) ----- \$960,714

TOTAL RECOMMENDED REDUCTION ----- \$255,906

Conservation

Items 251 and 254

Department of Conservation—Continued

Summary of Recommended Reductions		Budget	
	Amount	Page	Line
Reduce fire prevention programs by deleting the following positions -----	\$203,721	--	--
6 State forest ranger II -----	--	827	47
4 Fire prevention officers -----	--	827	59
16 Fire prevention technicians -----	--	827	62
Eliminate watershed reconnaissance planning team -----	52,185	828	14

Other Recommendations

Funding and priority problems ----- Analysis page 729

GENERAL PROGRAM STATEMENT

The Department of Conservation is responsible for the protection and development of certain wildland, mineral and soil resources in the state. The department includes the Divisions of Forestry, Mines and Geology, Oil and Gas, and Soil Conservation, with service functions such as personnel and fiscal matters performed for these divisions by the administrative staff to the director. The Division of Forestry is the largest division, being responsible for 90 percent of the department's expenditures and 92 percent of the department's personnel. General policies for the administration of the Divisions of Forestry, Mines and Geology, and Soil Conservation are established by the Board of Forestry, the State Mining and Geology Board, and the Soil Conservation Commission, all of whose members are appointed by the Governor.

For the second year, the department has prepared an informational program budget and our analysis has been prepared according to the program classifications in that document. Since the department does not have a cost accounting system, the amounts allocated to each program are estimates. During the budget year the total support and local assistance expenditures for the department are estimated at \$44,849,286. Of that amount, \$100,400 is a local assistance item for grants to soil conservation districts and appears as Item 359 of the Budget Bill. Reimbursements of \$7,291,955 from various sources, including payments by counties for fire control services and employees for subsistence, will leave net support expenditures of \$37,456,931, which are funded from the following sources:

General Fund -----	\$35,269,646
Petroleum and Gas Fund -----	1,004,302
Subsidence Abatement Fund -----	106,903
Federal funds -----	1,076,080

The General Fund request for \$35,269,646 compares to estimated General Fund expenditures of \$33,961,019 in the current year. The increase in the proposed budget is larger than indicated since \$900,000 in unbudgeted Emergency Fund expenditures was added for fire suppression during the severe fire season last fall, and \$230,000 was added by special appropriation for additional fire control in the North Coast as a result of 1964 flood damage to access roads and bridges. If the budget for next year is placed on the same basis as the current year, there would be an increase in expenditures of approximately \$2,400,000 or 7 percent.

Department of Conservation—Continued

The major expenditure increases of the Department of Conservation include \$500,000 for the fire prevention program, \$300,000 for the activation of two new conservation camps, \$280,000 to increase the level of forestry equipment replacement, \$150,000 for additional forestry equipment, \$400,000 for additional positions other than for fire prevention and conservation camp programs, and finally merit salary and operating expense price increases.

The budget proposes 137 net new positions, distributed throughout the department as follows:

Staff to the director	18.5
Division of Forestry	111.5
Administration	15
District Headquarters	22.3
Field Services	57.2
Conservation Camps	17
Division of Mines and Geology	1
Division of Oil and Gas	2
Division of Soil Conservation	4
Total	137

The department's major programs are divided into the following categories for presentation and analysis: forest protection, forest development, utilization and regulation, forestry related services, soil conservation, mines and geology, and oil and gas.

ANALYSIS AND RECOMMENDATIONS

Departmental administrative costs for personnel, fiscal services and rent, have been prorated to the departmental programs. These costs total over \$1,000,000 and cover approximately 101 positions. A Resources Agency library has been established on the first floor of the Resources Building. The budget for the library, including 10.5 positions, is carried by the Department of Conservation and the department is reimbursed by the other participating departments according to library use. Other new departmental administrative personnel requested in the budget are a systems analyst to review department operations for the possible use of data processing equipment; an administrative analyst to assist in administrative services; an accounting officer in the fiscal section to handle increased workload; and a planning position to assist in providing departmental review of proposed water development projects and other land use proposals.

Forest Protection

To protect about 41,000,000 acres of private and public lands from fire, insects and disease, the Division of Forestry proposes to spend about \$33,000,000. The division will carry out programs in fire prevention, fire control, county and state cooperative fire protection, fire protection research, and forest pest control.

Fire Prevention

The largest increase in both dollars and manpower in the Department of Conservation's budget occurs in the fire prevention program.

Department of Conservation—Continued

Estimated expenditures in 1966-67 are about \$1,400,000 in contrast to the current year expenditures of \$900,000. The difference represents \$500,000 to finance 47 new positions for the fire prevention program and the reclassification and upgrading of 35 current positions.

For many years this analysis has recommended that the Division of Forestry develop a sound and workable fire prevention plan and place more emphasis on fire prevention by utilizing existing personnel. In 1963 the Legislature enacted a comprehensive fire prevention statute, Chapter 2038, in an attempt to reduce fire hazards in those areas of the state where fire protection is the responsibility of the Division of Forestry. The legislation stemmed from the recommendations of the Senate Fact Finding Committee on Natural Resources, and created considerable workload for field personnel of the Division of Forestry. After the enactment of this legislation, the division developed an administrative nucleus for increased fire prevention activity, and requested and received from the Legislature appropriations for eight fire prevention officers in the 1964-65 budget. Two of the new positions were assigned to Sacramento headquarters and the remaining six positions were assigned to the six district headquarters, primarily for law enforcement functions. At that time, each of the district offices already had a fire prevention education officer.

In 1964, the headquarters staff put considerable effort into the analysis of existing data and developed workload requirements for a full scale fire prevention program and a plan for its partial implementation. The full scale plan indicated that the annual workload requires 1,232 man-years distributed among four programs as follows:

- 54 percent—Fire hazard detection, reduction and abatement
- 31 percent—Permit administration and fire law enforcement
- 10 percent—Supervision, analysis and planning
- 5 percent—Fire prevention education and information

Unfortunately, the objectives of this fire prevention plan and the means for the accomplishment of this workload are vague. According to the Division of Forestry's "Manual of Instructions": "The objective of this program is to reduce significantly the incidence of destructive timber and brushland fires and the resulting loss of life, resources and improved property to such a degree that direct and subsequent indirect damage caused by fire will be held below a level which would seriously interfere with the expected yield of products and social benefits from the lands the program is designed to protect."

At the present time, 10 percent of the planned workload is being accomplished with existing personnel. The division has begun to utilize fire control personnel on fire prevention programs and inspections, with varying degrees of success according to the attitudes of local rangers toward the plan. At best, an additional 25 percent of the workload may eventually be accomplished by redirecting efforts of fire control personnel to fire prevention activities within their initial attack areas, but according to the division, this cannot be done until the volume of initial fire incidence is reduced through the work of the new fire prevention personnel.

Department of Conservation—Continued

According to the division, an initial appropriation of about \$8.75 million for personnel and equipment and subsequent annual expenditures of \$6.5 million are needed to finance a full scale fire prevention program in line with the present needs of the state. The division feels that a significant initial input should be made in the program to have any measurable results. The plan for partial implementation prepared by the division would fill 40 percent of the prevention needs and require expenditures of \$3,019,015. The Governor's Budget would finance \$500,000 of the partial implementation.

The \$500,000 fire prevention program included in the budget would finance 47 new positions including, in headquarters, an economic analyst, clerical assistance, a forestry aid, a fire prevention program administrator to work with the Advisory Committee on Rights-of-Way and on fire prevention research contracts, and a fire prevention program supervisor to manage a peace officer training course for division personnel. The division also proposes to reclassify four fire prevention officers to fire prevention program administrators. In each of the six district headquarters a ranger II position would be added to head the district-wide fire prevention program.

In the field, the Division of Forestry proposes to staff the Butte County ranger unit on a level commensurate with full implementation of the \$8.75 million fire prevention program to provide an opportunity to evaluate the effectiveness of the full program. The proposed additional staffing at the Butte ranger unit would include one associate state forest ranger, three fire prevention officers, and 11 fire prevention technicians, the latter performing mostly field investigations and patrol work. One fire prevention officer and four fire prevention technicians would be assigned to the Napa ranger unit, while 15 other positions would be assigned to critical fire areas throughout the state, and 31 forestry foremen I positions, now assigned mostly in the North Coast and Southern California districts, would be reclassified and upgraded to fire prevention technicians.

The new positions are proposed for financing at various times during fiscal year 1966-67. Therefore, the \$500,000 being requested is much less than, and is not indicative of the future annual recurring costs of the program. For fiscal year 1967-68 the cost for salaries and wages and operating expenses is \$712,000. This amount does not include any amortization for replacement of equipment or any any minor impact on future capital outlay which will be required for office space for the new positions.

The Butte Ranger Unit was selected as a site to determine program effectiveness because a fire prevention research program has been conducted there for the past few years. Cooperating agencies have been the Division of Forestry, the United States Forest Service, the Pacific Southwest Forest and Range Experiment Station, University of California at Berkeley, Chico State College, and University of Southern California. Past emphasis has been on a survey of knowledge and attitude regarding fire prevention among Butte County residents. With the

Department of Conservation—Continued

work done in this research project and the full staffing of the ranger unit according to the division's fire plan, the division should be able to develop some measurable data about the effectiveness of the fire prevention program.

In its efforts to fit a fire prevention program within the \$500,000 allocation provided in the budget, the division has included for all 6 districts the administrative overhead structure required to support a \$3 million program level. As pointed out earlier, the division two years ago increased the fire prevention program with eight new administrative positions in Sacramento and district headquarters and would now add 11 more positions in administrative overhead while adding only 36 new positions in the field where most of the physical workload of fire prevention activity is located. Without substantial numbers of field personnel, the 6 ranger II positions in district headquarters are not needed.

In previous years we have strongly endorsed the principle of fire prevention. We have done this because a field review undertaken several years ago by this office at the request of the Legislature indicated that fire prevention practices were not being adequately stressed by the Division of Forestry and that improved protection could be achieved along with a reduction in damage from fires if fire hazards were reduced or eliminated. We also recognized that a strong fire prevention program would have the effect of requiring property owners to share a portion of the burden of protecting California's natural resources from fires because these property owners would be required to clean up their properties and to conduct their affairs in a fire-safe manner rather than rely upon the General Fund to suppress fires resulting from hazardous conditions.

The fire prevention program proposed by the Division of Forestry stresses the use of inspectors to check logging operations, industrial activities, dwellings, cabins, resort areas, and other locations to determine the existence of hazardous conditions and to direct the owners to correct such conditions. However, the effectiveness of such an inspection program will depend on the willingness of the division to enforce correction of hazardous conditions even though it may be locally unpopular. The department has proposed to staff its fire prevention plan for such enforcement action but the staffing will be no more effective than the policies of the department. This is one of several important unknown factors in the proposed fire prevention program.

The use of several hundred inspectors to travel throughout the state responsibility areas and inspect private property contains many problems involving the conduct and effective performance of duty by the inspectors involved. The extent to which such inspections can effectively reduce fire hazards where the hazard is not sufficiently great to warrant formal corrective or punitive action is debatable. In addition, the reaction of the general public to such inspections remains in doubt. There are other important unknown factors in the proposed program such as the need for frequent recurring inspections by the division's personnel.

Department of Conservation—Continued

If the Legislature is to establish a firm and carefully formulated program for fire prevention, the program must be initiated with greater knowledge of the anticipated effectiveness on a statewide basis than presently exists. Included within the division's proposal for initiation of a fire prevention program is a test or pilot area in Butte County. We believe that the division should secure adequate experience with a full-scale comprehensive fire prevention program in Butte County before it proceeds with the extension of the program throughout the state. The costs of a statewide program are sufficiently large that the Legislature is fully warranted in insisting on objective and factual verification of accomplishments before the program is extended.

Such verification should include complete analysis of all factors which measure the effectiveness of a fire prevention program whatever these factors may be. In particular, evidence can be sought which will assist the division and the Legislature in reducing the costs of fire suppression activities as fire prevention activities are increased. Funding now devoted to fire suppression activities may be used to offset costs of a fire prevention program if the data indicates this possibility. The division has prepared at our request a statement of the factors which will be evaluated and the type of evidence which the division anticipates can be secured in Butte County to justify the extension of the program to other counties. We consider the statement to be only partially acceptable and in need of additional work and development.

The pilot project at Butte should be approved by the Legislature and accompanied by approval of a new position to handle the fire prevention training for the division personnel, an economic analyst, assistance for the Advisory Committee on Rights-of-way, and the reclassification of 4 headquarters and 31 field positions. In addition, funds for the use of automatic data processing equipment for a fire prevention reporting system should be allowed. The reclassification of 31 existing field positions to fire prevention inspectors is in line with our views that the department should attempt to utilize existing fire suppression personnel wherever possible for fire prevention work. Although the 31 existing positions will not constitute an effective pilot project, their use for fire prevention purposes should be encouraged.

Except for the 16 field positions in the pilot project at the Butte ranger unit, there is no assurance that any measurable result will be obtained by the funding of the 20 other scattered new field positions. The division has expressed the opinion that a significant initial input should be made in the program to achieve any measurable results. Therefore, the division can expect only minor measurable results from the distribution of 20 new field positions throughout the state and they can be eliminated.

It is recommended that the following positions amounting to \$203,721 be deleted from the budget: six state forest ranger II; four fire prevention officers; 16 fire prevention technicians; and that the Legislature approve only a pilot fire prevention program in Butte County with accompanying overhead and administrative positions.

Department of Conservation—Continued

Since the level of service provided by the Division of Forestry has an effect on the allocations to the United States Forest Service and the five contract counties, these recommendations would also effect minor savings in Items 252 and 253, Watershed Protection by Cooperating Counties and Private Land Protection by United States Forest Service, which will have to be computed by the Division of Forestry.

Fire Control

The Division of Forestry's fire control program is estimated to cost in excess of \$25 million annually. The objective is to detect and control all fires as quickly as possible. The program is carried out with the use of initial ground attack fire crews, initial air attack, fixed detection points or lookouts, and an extensive communication system. Corollary to the fire control program is the inspection, maintenance and repair of property and equipment.

To prevent duplication, the protection of 5.2 million acres of state responsibility lands within or adjacent to the national forests is contracted to the United States Forest Service, with payment by the state to the federal government of about \$1,430,000. Also, the counties of Marin, Kern, Ventura, Santa Barbara and Los Angeles have elected to protect state responsibility lands within their counties, and in the budget year the state will pay these counties approximately \$2,382,000 to provide such protection. These two appropriations are discussed further in Items 257 and 258.

Legislation from the 1965 General Session reduced the duty week for permanent fire control personnel from 104 to 96 hours, effective in the current fiscal year. As a result, 80.4 man-years have been added to the division's budget.

For the second successive year during the month of September, the state had severe fire weather including hot, dry winds. In a two-day period, 26 large fires (300 acres or more) started in just three districts of northern California. These large fires were in addition to 97 small fires that began in the same districts on state responsibility lands. Before the 26 large fires were controlled, they had covered 212,228 acres and caused damage estimated at \$3,427,465. These fires together with fires that broke out in local responsibility areas required the use of division personnel and conservation camp crews from throughout the state, the assistance of the California Disaster Office, local district fire departments, and the use of some National Guard men and equipment primarily to provide air transportation for conservation camp inmates moved from southern California.

Initial ground and air attack of the fire control program are financed from the regular support funds for the division. Fires beyond the abilities of the regular crews to handle occur each year and the cost for additional manpower and equipment for suppression of these extensive fires and for emergency revegetation is paid primarily from the Governor's Emergency Fund. However, each year the budget also contains \$200,000 of emergency funds that is appropriated directly to the division.

Department of Conservation—Continued

The budget estimates that \$900,000 from the Governor's Emergency Fund plus \$200,000 from the division's emergency fund will be spent in the current year by the division. Most of these expenditures were incurred in the fires of last September. So far, expenditures through December 1965 totaling \$1,093,700 have been accounted for and include the following items:

Salaries and wages, emergency firefighters	\$46,500
Housing	12,700
Fire retardants	211,300
Operating supplies and expenses	37,800
Motor vehicle operation	10,600
Rent of airplanes for observation	26,000
Rent of dozers and transports	155,200
Rent of chain saws	6,700
Rent of buses	3,500
Rent of jeeps, pickups and stakesides	10,100
Rent of airplane tankers	264,800
Rent of helicopters	85,900
Rent of miscellaneous equipment	37,200
Subsistence food	136,000
Contract labor (noninstitution)	2,400
Contract labor from institutions	47,000
Total	\$1,093,700

Local Fire Protection Services

The Division of Forestry carries out local fire suppression services for some counties, fire districts and cities which reimburse the division. The program is budgeted at a level of service comparable to former years but the amount of the program has increased to \$4,772,000 from \$3,985,000 for fiscal year 1964-65. This increase of about \$800,000 is to finance additional manpower required as a result of a legislatively directed reduction in the length of the duty week from 104 hours to 96 hours for Division of Forestry employees. The number of man-years in the program has increased from 520 to 589. The division also spends about \$2 million of nonstate funds for supplies, equipment and salaries to provide this local fire suppression service. If the actual level of expenditure of nonstate funds for 1965-66 is continued, the total program including an administrative charge of \$140,000 will amount to about \$6,872,000 from all funds in 1966-67, in contrast to an estimated \$5,825,000 in the current year.

Two years ago we recommended and the Legislature directed that the division review its administrative overhead charge for fire suppression services it performs for counties and districts to reflect a more realistic charge than the 3 percent rate which has been traditionally used. A year ago the division held a series of conferences with members of the boards of supervisors, county administrators, and local Division of Forestry rangers in six counties. The purpose of the conferences was to identify the various types of programs being pursued by the cooperating parties. As of this writing, the department has progressed no further in determining its costs to administer the program.

Corollary to the local government fire protection contracts is the fundamental question of whether the Division of Forestry should be

Department of Conservation—Continued

providing the fire protection services in certain local areas of the state. The Division of Forestry is intended to be a wildland fire control organization. The rapid suburban growth and structural development in some of the areas where the division performs local fire protection services has changed the basic function from **wildland fire control to structural**.

Last year we pointed out, for example, that the unincorporated, local responsibility areas in Fresno County had formed three fire districts which contract with the State Division of Forestry for their local fire protection service. When the contracts were entered into many years ago, the area was primarily rural and free of development. Since that time commercial and residential development has taken place to such an extent that these three fire districts could hire their own crews to provide the fire suppression services and the Division of Forestry could withdraw from the local areas with no harm to the local citizens or to the state as far as local fire suppression services go. Involved here is the question of whether the Division of Forestry should maintain its basic function of wildland fire control, or, as the state develops and grows, become increasingly a structural fire fighting organization carrying on what is a basic responsibility of local government.

These statements are not intended in the slightest degree to indicate any criticism of the local service provided by the division. Indeed, independent authorities have praised the accomplishments of the division. The question is whether the state should be providing a local function.

The local fire protection service performed by the Division of Forestry is a sensitive matter. The department has shown a reluctance to complete the above review of the contractual arrangements and consider whether it should withdraw from some local service areas. It may be noted that the problem becomes even more difficult as the department extends its fire prevention program into local responsibility areas.

The Division of Forestry contracts with such agencies as the University of California and the Pacific Southwest Range and Experiment Station of the Department of Agriculture for cooperative forest and fire research. Item 262 appropriates \$189,145 for this activity.

In addition to the \$500,000 fire prevention augmentation, specific increases in the forest protection program include:

1. Fifteen and nine-tenths new positions to man two new fire stations to be constructed in Contra Costa and Modoc counties.
2. Two and five-tenths positions for a new bulldozer transport crew in Santa Clara County.
3. Two positions to staff a temporary station at Martin's Ferry in the North Coast District until a bridge, lost in the December 1964 floods, is rebuilt.
4. One automotive maintenance foreman and four heavy equipment mechanic positions for supervisory maintenance of automotive equipment repair.

Department of Conservation—Continued

5. About \$280,000 for additional replacement of equipment and \$50,000 for additional specialized equipment, such as: fire camp headquarter trailers, mobile service stations, and air helmets for bulldozer operators.

Last year we recommended a reduction in the replacement of equipment which the Legislature accepted. The increased level budgeted for next fiscal year is only slightly higher than the level originally requested last year. While a number of problems remain unresolved regarding the replacement of complex, heavy equipment, we are recommending approval of the request for next fiscal year.

Forest Development, Utilization, and Regulation

The Division of Forestry operates eight state forests of about 70,000 acres and four nurseries, administers the Forest Practices Regulations, provides assistance to owners of small parcels of timber and advisory services in range and forest improvement. The proposed budget for this category of programs is approximately \$1 million, a slight increase over the current year. The division is requesting three forester I positions for Jackson State Forest in Mendocino County to scale and mark an additional 30 million board feet of lumber for sale during 1967. The proposed expanded sales program will bring an estimated revenue of \$160,000 to the General Fund. Also for forest development, the division is requesting an additional service forester to add to its present 10-man staff to accommodate more promptly the owners of small parcels of timber who wish assistance or advice on the management of timber.

Conservation Camps

This program has a dual objective of rehabilitation and training for inmates of the Department of Corrections along with the development, maintenance and protection of the state's resources. There are 35 permanent conservation camps, three mobile camps and four camps for wards operated in cooperation with the Department of Youth Authority. The program has estimated costs of \$6,900,000 in the budget year compared with \$6,700,000 in the current year.

During fiscal 1966-67, two new camps, Bautista in Riverside County and Ortega in Orange County, will be opened and 21 new positions are requested to man these camps. At the same time 11 positions formerly budgeted for the Piney Creek Camp in Monterey County are abolished since the camp will not be established. The Sierra Conservation Center will require seven positions for the training of inmates and these positions will be reimbursed by the Department of Corrections. The workload has increased to such an extent as a result of the establishment of eight conservation camps in District 6 that an additional camp coordinator position is requested there. In line with staffing requirements, two civil engineers are requested to cover the workload required from additional conservation camps and prepare plans for work projects to be constructed by the inmates.

Department of Conservation—Continued

The budget proposes to continue the 28 new positions to man the Oak Glen Conservation Center near Beaumont. Since last year, the operations of the camp have been reimbursed by the federal government under the Job Corps Program.

Two additional electrician positions and three carpenter positions are requested to give supervisory assistance to inmates and division personnel in the repair and maintenance of division facilities.

In Sacramento headquarters, two delineators and one administrative assistant position are requested for the Engineering and Conservation Camp Program which has expanded over the years. A policies and procedures coordinator is requested to complete the Division of Forestry's "Manual of Instruction". Finally, a forester II position is required to assist the timber maturity boards in examining timber.

Soil Conservation

The Division of Soil Conservation carries on three basic programs: services to Soil Conservation Districts, watershed planning, and the testing of plants for soil conservation uses. The services to the Soil Conservation Districts include assistance in the formation, organization and operation of the districts, and the preparation of applications for grants. The soil conservationists assigned at nine locations throughout the state are supervised by a supervising soil conservationist in the Sacramento headquarters. The latter position is also responsible for administration of the grant program, a local assistance item in the budget, and has been serving in a staff capacity to the department and Resources Agency on soil conservation matters. To assume the duties of administering the programs for services to the districts and reviewing the grant program, the department proposes to upgrade two positions and abolish two assistant soil conservationist positions. An associate soil conservationist and a senior soil conservationist position would be established in the Sacramento headquarters. In effect, the change is an elevation of two positions with retention of the same number of positions.

In the watershed planning program, the department performs field review and reconnaissance studies and planning work for small watershed applications to finance construction of projects under the Federal Watershed Protection and Flood Prevention Act (PL 566). At the present time the division has two watershed planning teams and the United States Soil Conservation Service has one team in California. The purpose of the state-supported planning teams is to expedite planning of state projects and thereby secure more federal funds. The projects are constructed with a combination of local, federal and state funds.

The division proposes to augment the watershed planning activity with three additional professional positions and clerical help to reduce a backlog of reconnaissance study requests. The total additional budget request including operating expenses and equipment is \$52,185.

In the 1964-65 budget, the Legislature provided funds for an additional one and one-half positions for the purpose of reducing the back-

Department of Conservation—Continued

log of reconnaissance requests. Also the division centralized the two planning teams in Sacramento, bringing the Southern California planning team from Van Nuys. In December of 1963 there was a backlog of 10 reconnaissance study requests and at the present time there are 11 requests.

The practical effect of these additional reconnaissance positions would be to increase the number of work plans prepared and ultimately incur large additional state costs for land, easements and rights of way as the state's share of the projects. By speeding up the reconnaissance activity, the state is encouraging an increase in General Fund expenditures above the level of \$2,501,900 which is budgeted as the state's share of construction costs in 1966-67 for 10 projects.

Due to the shortage of General Fund revenues at this time we are unable to recommend approval of this augmentation with attendant commitments of additional state funds for construction.

We recommend that the Public Law 566 small watershed reconnaissance planning team augmentation be deleted from the budget of the Division of Soil Conservation for a savings of \$52,185.

Mines and Geology

The two basic programs of the Division of Mines and Geology are data development and data presentation. Development includes geologic mapping, urban geologic hazard mapping, research in the state's mineral commodities, and a county mineral resources inventory. Data presentation includes the maintenance of the Mining Museum in San Francisco, school programs, technical publications, and the Public Services Laboratory. The total programs of the division amount to approximately \$1,200,000 annually for 72 positions.

During the current year a new position has been added administratively for urban mapping in San Diego County. The position is proposed as a new position in 1966-67 and San Diego County will continue to reimburse the department for the position.

In the 1965 General Session, legislation was enacted which changed the name of the policy-making board of the division, the State Mining Board, to the State Mining and Geology Board and specifically added geology to the authorized function of the division and gave them statutory authority to carry on cooperative agreements with local and federal agencies on investigations of urban geological hazards.

Funding and Priority Problems

In our review of the budget of the Department of Water Resources, under the title of Geologic and Earthquake Hazards, we have commented on the department's work relative to geologic and earthquake hazards studies and engineering. We recommended there that certain long-term research oriented activities, gathering of basic information and the publication of information derived from such work should be transferred to the Division of Mines and Geology. Such a transfer would require finding General Fund resources to finance the work being transferred.

Department of Conservation—Continued

The budget of the Department of Conservation consists of work performed by the Division of Oil and Gas for the benefit of that industry and financed entirely by that industry. The budget for the Division of Mines and Geology is financed entirely by the General Fund but also includes substantial services to the mineral industry which are not reimbursed. The budget for the Division of Forestry overshadows all other departmental programs and provides extensive, high-cost fire protection for the private forest, brush, grass and recreation lands included in the division's fire suppression responsibility areas. Earlier in our analysis of this item, we noted the problems confronting the state in financing the full-scale fire prevention program proposed by the Division of Forestry.

Although the budget of the Department of Conservation has reached \$44 million per year, the department has not been able in the past to finance any significant fire prevention activities without new funds and no means to date have been provided to finance any geologic and earthquake hazards studies of statewide importance. Only local cost-shared urban mapping has been undertaken.

It is the belief of seismologists and earthquake specialists that the repetition of an earthquake similar to the major earthquake of 1906 in San Francisco would do extensive damage to both public and private property and would result in the loss of many lives. However, the Department of Conservation has emphasized primarily its fire suppression activities, which in certain instances means the control of fires on relatively low value grass and brush lands that may occasionally be improved by burning. *While the hazards and dangers of fires cannot be depreciated, it is recommended that the department reevaluate its overall policies and programs with respect to the type of service it offers at the expense of the General Fund and establish the priority that such service should receive in relationship to important public values such as fire suppression, fire prevention and earthquake hazards.*

Oil and Gas

The Division of Oil and Gas is a Special Fund agency and is supported by charges upon operators of producing oil and gas wells through the Petroleum and Gas Fund and the Subsidence Abatement Fund. The programs of the division include the regulation of oil and gas operations, publication of oil and gas information and subsidence abatement. Total proposed programs amount to \$1,084,910 in comparison to current year expenditures of \$1,045,043. The small increase is due to merit salary adjustments and to a slight increase in workload for well inspections and production-stimulation projects. Two additional engineers are requested to handle the increased workload in the Bakersfield and Inglewood districts.

The objective of the division's programs is to make sure that the drilling and the abandonment of oil and gas wells are done with as little waste as possible and to make sure there is maximum recovery of oil and gas. The division also publishes data on oil and gas production, with monthly production reports, and issues oil and gas field

Department of Conservation—Continued

maps. The subsidence abatement program is intended to arrest and mitigate the subsidence of land over or adjacent to producing wells. Most of these efforts are expended in the Wilmington subsidence area. Funds for the support of the division are appropriated in Items 255 and 256.

We recommend approval of the budget for the Department of Conservation except for specific adverse recommendations made above.

Department of Conservation**DIVISION OF FORESTRY**

ITEMS 252 and 257 of the Budget Bill

Budget page 844

**FOR SUPPORT AND AUGMENTATION OF WATERSHED
PROTECTION BY COOPERATING COUNTIES
FROM THE GENERAL FUND**

Amount requested continuing support	\$2,381,949
Amount requested augmented support	29,399
	<hr/>
Estimated to be expended in 1965-66 fiscal year	\$2,411,348
	2,301,031
	<hr/>
Increase (4.8 percent)	\$110,317
Increase to improve level of service	\$29,399

TOTAL RECOMMENDED REDUCTION None

ANALYSIS AND RECOMMENDATIONS

Section 4050 of the Public Resources Code provides that the Board of Supervisors of any county shall have the power to assume responsibility for fire prevention and suppression on state responsibility lands. Marin, Kern, Santa Barbara, Ventura and Los Angeles Counties have assumed this responsibility. The state has entered into a contractual agreement with these five counties and reimburses them for the assumption of what is a basic state responsibility.

The increase of \$29,399 to improve level of service is based on the increase in the fire prevention program of the Division of Forestry.

The allocations are proposed as follows:

Kern	\$597,897
Los Angeles	922,234
Marin	193,625
Santa Barbara	325,750
Ventura	342,443
	<hr/>
Total	\$2,381,949

We recommend approval but in a reduced amount in accordance with our recommendation on the fire prevention program as discussed in Item 254.

Conservation**Items 253, 258 and 255****Department of Conservation
DIVISION OF FORESTRY****ITEMS 253 and 258 of the Budget Bill****Budget page 844****FOR SUPPORT AND AUGMENTATION OF PRIVATE LAND
PROTECTION BY UNITED STATES FOREST SERVICE
FROM THE GENERAL FUND**

Continuing support -----	\$1,429,613
Augmented support -----	27,667
Amount requested -----	\$1,457,280
Estimated to be expended in 1965-66 fiscal year -----	1,369,277
Increase (6.4 percent) -----	\$88,003
Increase to improve level of service -----	\$27,667

TOTAL RECOMMENDED REDUCTION ----- None**ANALYSIS AND RECOMMENDATIONS**

There are over 5,000,000 acres of state responsibility lands within the national forests of California. To prevent duplication, the Division of Forestry contracts with the United States Forest Service to provide fire protection services for the state lands within the national forests. The Division of Forestry provides fire protection services for some areas of the national forests.

This item is for the net cost of protection of state lands by the Forest Service, after being offset by the cost of forest land protected by the state. The estimated increased amount to improve level of service, \$27,667, is the result of an increase in the level of fire prevention services provided by the Division of Forestry under the proposed budget.

We recommend approval but in a reduced amount in accordance with our recommendation on the fire prevention program as discussed in Item 254.

**Department of Conservation
DIVISION OF OIL AND GAS****ITEM 255 of the Budget Bill****Budget page 841****FOR SUPPORT OF DIVISION OF OIL AND GAS
FROM THE PETROLEUM AND GAS FUND**

Amount requested -----	\$1,004,302
Estimated to be expended in 1965-66 fiscal year -----	967,333
Increase (3.8 percent) -----	\$36,969

TOTAL RECOMMENDED REDUCTION ----- None**ANALYSIS AND RECOMMENDATIONS**

The description of the programs performed by the Division of Oil and Gas is included in the discussion of the prior item under the support for the Department of Conservation. This item is for the support of the Division of Oil and Gas from the Petroleum and Gas Fund with a slight increase in expenditures due to an increased workload with resulting need for two additional engineers.

We recommend approval.

**Department of Conservation
DIVISION OF OIL AND GAS**

ITEM 256 of the Budget Bill

Budget page 841

**FOR SUPPORT OF SUBSIDENCE ABATEMENT OPERATIONS
FROM THE SUBSIDENCE ABATEMENT FUND**

Amount requested	\$106,903
Estimated to be expended in 1965-66 fiscal year	106,115
Increase (0.7 percent)	\$788

TOTAL RECOMMENDED REDUCTION	None
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ANALYSIS AND RECOMMENDATIONS

This program for subsidence abatement is described in the discussion of the support for the Department of Conservation. The program is supported by an annual assessment on oil and gas producers.

We recommend approval.

Department of Conservation

MISCELLANEOUS COOPERATIVE AND RESEARCH PROGRAMS

ITEMS 259 through 264 of the Budget Bill

Budget page 845

**FOR SUPPORT OF MISCELLANEOUS COOPERATIVE AND
RESEARCH PROGRAMS FROM THE GENERAL FUND**

Amount requested	\$463,690
Estimated to be expended in 1965-66 fiscal year	440,144
(Increase (5.3 percent)	\$23,546

TOTAL RECOMMENDED REDUCTION	None
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ANALYSIS AND RECOMMENDATIONS

<i>Item No.</i>	<i>Title</i>	<i>Proposed amount</i>
259	White pine blister rust control	\$70,000
	This appropriation matches federal expenditures for the control of white pine blister rust disease on state and private timber lands. The amount requested is \$5,000 less than the estimated expenditures for the current year. This reduction is possible since the control program is on a maintenance basis with a minimum of new areas to be treated.	
260	Wild land vegetation and soil mapping	126,730
	The United States Department of Agriculture and the University of California, under contract with the Division of Forestry, map soil types in wildland areas of the state. To date almost 10,000,000 acres of wildlands have been surveyed. During the budget year proposed survey areas are located in Calaveras, Butte, Trinity and Yuba Counties.	
261	Watershed research	23,472
	This appropriation is for cooperative studies at the San Dimas experimental forest. The objective is to find ways to manage watersheds to effect water yield improvement and to stabilize soils and minimize floods erosion.	
262	Forest and fire research	189,145
	This item is for the support of 14 different research projects, field studies and investigations in such areas as fire prevention and control, forest pest control, and economics of fire protection. The cooperating agencies are the University of California and the Department of Agriculture.	

Fish and Game

Item 265

Department of Fish and Game—Continued

<i>Item No.</i>	<i>Title</i>	<i>Proposed amount</i>
263	Geological exploration in cooperation with United States Geological Survey This appropriation provides the matching funds for geological projects in cooperation with the federal government. This program is designed to provide information on the geologic occurrences of minerals of possible economic value. Projects will be carried out in six different areas of the state in the budget year.	30,000
264	State geologic map This item continues the state geologic mapping program scheduled for completion in the fiscal year 1967-68. During the budget year four sheets are scheduled for publication. Revenue to the state from the sale of these maps during the budget year is estimated at \$11,000.	24,348

We recommend approval of Items 259 through 264 as budgeted.

DEPARTMENT OF FISH AND GAME

ITEM 265 of the Budget Bill

Budget page 848

FOR SUPPORT OF DEPARTMENT OF FISH AND GAME FROM THE FISH AND GAME PRESERVATION FUND

Amount requested	\$12,415,406
Estimated to be expended in 1965-66 fiscal year	11,829,043
Increase (5.0 percent)	\$586,363

TOTAL RECOMMENDED REDUCTION None

Summary of Recommendations

Analysis page

Revise Funding for Commercial Fisheries: Research and Development from General Fund (Item 268) to Marine Research Committee (Item 269) payable from the Fish and Game Preservation Fund	741
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GENERAL PROGRAM STATEMENT

The Department of Fish and Game is responsible for administering and enforcing laws and programs pertaining to the fish and wildlife resources of the state. Under delegation of legislative authority pursuant to the Constitution, the Fish and Game Commission of five members regulates the taking of fish and game and establishes policies to guide the department in carrying on its activities. Support of the department comes from the sale of hunting and fishing licenses, court fines, commercial fish taxes, grants of federal funds from excise taxes on some sporting goods, and reimbursements from other agencies of government. For the first time, the department proposes the expenditure of General Fund moneys in lieu of special fund money to finance the state's share of new programs resulting from the enactment of the Commercial Fisheries Research and Development Act of 1964.

The proposed budget shows department programs totaling \$16,565,911 including capital outlay. Of that amount, the department estimates that \$1,356,825 will be received from federal grants, \$1,432,805 from re-

Department of Fish and Game—Continued

imbursements of other agencies such as the Department of Water Resources, and \$92,000 from the State General Fund. The balance of the department's expenditures, \$13,684,281, will come from the Fish and Game Preservation Fund and the department requests appropriations for that amount through this and following items of the budget bill.

The proposed budget including capital outlay provides for expenditures amounting to approximately \$700,000 more than anticipated revenues to the Fish and Game Preservation Fund, thereby reducing the surplus in the fund. The Fish and Game Preservation Fund currently has a balance of approximately \$7,000,000, the highest since the 1940's. This surplus is approximately equivalent to half of the department's annual costs. The major increase in capital outlay expenditures is a one-time cost to replace radio equipment for the department. However, the department is contemplating another one-time capital outlay of approximately \$1,200,000 in fiscal year 1967-68 to replace the research vessel, the "N. B. Scofield."

The department requests 74.1 new positions in the budget year. Of these new positions, 27 would be funded by the Fish and Game Preservation Fund, 22.8 would be reimbursed by other agencies, 22.5 would be financed from a combination of federal funds and the General Fund and 1.8 would be financed from a combination of federal and Fish and Game Preservation Fund moneys.

The department has prepared a program budget for informational purposes and we have written this analysis from the program descriptions provided by the department. The categories of the department's major programs include protection, water projects and pollution control, fisheries management, game management, utilization, related services and planning. All programs have slight increases for merit salary adjustments and price increases. There are additional costs for increased activity in water projects review and fisheries management. New activities of the department include the tagging and monitoring program to provide information about the anchovy resource as a result of the taking of anchovies for reduction purposes, and research and development programs in commercial fisheries as a result of new federal moneys. A new planning activity emphasizing nongame species will be started, also as a result of federal funds.

ANALYSIS AND RECOMMENDATIONS**Protection**

A major function of the Department of Fish and Game is the protection of fish and wildlife and their habitat. The protection is accomplished through the enforcement of fish and wildlife laws and pollution regulations and the maintenance of fish ladders and installation and maintenance of screens in water diversion ditches. The enforcement work consists of patrolling by 220 wardens to prevent violations, issuing warnings and citations, checking licenses of hunters and fishermen, investigating and apprehending fish and game law violators, and assisting in the presentation of court cases. The department estimates there

Department of Fish and Game—Continued

will be about 1,850,000 fishing and 675,000 hunting licenses purchased during the budget year. The violation caseload is estimated at 16,500 which compares with an actual caseload of 15,495 in the 1964-65 fiscal year. There are no significant changes in the enforcement and pollution regulation programs in the budget year.

During the current and past fiscal years, some damage was done to fishways and screens during the December 1964 floods. Federal funds were used to repair certain salmon fishways and screens. The budget for next year proposes a return to the department's regular program for financing screens and fishways from the Fish and Game Preservation Fund. The entire category of protection programs will cost about \$4,750,000, almost entirely from the Fish and Game Preservation Fund. This amount will continue current programs at present levels.

Water Projects and Pollution Control

The department has several programs concerned with preservation and enhancement of fish and wildlife through investigations in water quality and reviews and recommendations on water projects that affect fish and wildlife. These programs amount to approximately \$1,240,000 in the proposed budget including reimbursements of \$715,500 by the Department of Water Resources. The Department of Fish and Game's funding of these programs has been staying fairly constant while there has been some increase in reimbursements by the Department of Water Resources as its programs have increased.

The department carries out basic water quality research related to fish, wildlife or aquatic environment, performs on-site investigations of existing pollution problems and field and laboratory investigations on specific water quality problems, and furnishes data on water quality problems for the regional water pollution control board. The department reviews and makes recommendations on applications filed with the State Water Rights Board for permits to appropriate water, on applications with the State Department of Water Resources to construct or modify dams, on projects to be constructed by federal agencies, on projects of the Federal Power Commission and state water and highway projects, and on Davis-Grunsky projects.

The Department of Water Resources is responsible for the preservation of fish and wildlife at the state water project and studies the preservation and enhancement of these resources at other projects. To perform studies on fish and wildlife at these water projects, the Department of Water Resources contracts to have the work done by technical personnel of the Department of Fish and Game.

The Department of Fish and Game is also carrying out the Delta Fish and Wildlife Protection Study under contract with the Department of Water Resources. As a result of these studies, the peripheral canal plan has been recommended as the plan with the greatest potential for fish and wildlife preservation and enhancement in the delta. The five-year contract between the two departments covering these studies expires at the end of the current fiscal year and the departments are negotiating a new contract. The proposed budget anticipates expenditures of

Department of Fish and Game—Continued

approximately \$400,000 reimbursed by the Department of Water Resources. Of the 11.3 new positions to be financed by the Department of Water Resources, four would be assigned to the contractual services section on water development planning and 7.2 positions would be added to the Delta Fish and Wildlife Protection Study.

In the Water Projects and Pollution Control Program category, the department is requesting seven new professional positions to be financed by the Fish and Game Preservation Fund. These positions include a fishery biologist III to provide recommendations for methods of alleviating wildlife losses from channelization and phreatophyte control carried on by the Bureau of Reclamation on the lower Colorado River. Four professional positions and stenographic services are requested to provide a review of federal projects under Public Law 89-72 to determine state participation in the development of wildlife facilities at federal water projects. Finally, an additional position is requested to handle the relicensing application reviews of the Federal Power Commission. Many of the licenses which were issued following the 1920 Federal Power Act are now expiring. The department will attempt to restore fishing below many projects which, when constructed several decades ago, made no provision for fish life.

Fisheries Management

The Department of Fish and Game carries on substantial programs in management, propagation and research for both inland and marine fisheries. Total programs in these fields in the budget year are proposed at approximately \$5,850,000 in comparison to estimated expenditures of about \$5,200,000 during the current year.

Trout are California's most popular sport fish and the department produces this species in 13 state hatcheries. The department encourages natural production through the stocking of fingerlings in lakes and streams. About 15,000,000 trout fingerlings are stocked in almost 1,000 lakes each year. In addition, over 7,000,000 catchable size trout are stocked in about 525 streams and lakes annually to provide about one-third of all the trout fishing. Under fish and game commission policy, the cost of the catchable trout program must not exceed the revenue from fish stamp sales to fishermen who fished for trout during the preceding year. At the present time the catchable size trout program costs about 92 cents per pound of fish planted.

As new hatcheries are being planned for construction, financed largely by the Wildlife Conservation Board from the 1964 Recreation Bond Act, the department is installing automatic equipment including mechanical graders, automatic feeders, and fish pumps. The department requests a professional position in the proposed budget to develop and test this equipment.

During the current year, the department will terminate the Lake Tahoe Fisheries Improvement Study project to improve trout production there. The study has indicated that the stocking of species less than eight inches is not productive and shrimp from Canada have been introduced to improve food supply chains.

Department of Fish and Game—Continued

The department will continue existing program levels in the management, propagation and stocking of warm water game fishes, black bass, crappie, and catfish.

A new project is proposed this year with expenditures estimated at \$70,855 from federal Dingell-Johnson funds. With the termination of the Lake Tahoe project, the department proposes to inventory the Salton Sea Fishery and develop information to manage and enhance, if possible, the fishery there. Salinity is increasing in the lake and the department wants to determine the salinity tolerances of the fishes and forage organisms.

The department proposes to continue its striped bass and sturgeon study including tagging studies, migration patterns, food habits, and the monitoring of the sturgeon fishery in the Sacramento-San Joaquin system.

The department spends almost \$1,200,000 annually on the management, propagation and stocking of salmon and steelhead. These fish are raised in five hatcheries in the state, three of which were built by other agencies who also reimburse the department for operating the hatcheries. During the budget year, the Irongate Hatchery on the Klamath River will begin operations. The department will be reimbursed approximately 80 percent of the operating costs by the Pacific Power and Light Company. The budget includes seven new positions to man the hatchery.

Marine fisheries management programs of the department will amount to approximately \$1,700,000 in the budget year as compared to \$1,350,000 during the current year. These programs include data collection on marine sport fishing catches; on the number, location and size of albacore, bluefin tuna, sardines and mackerel; the collection compilation and publishing of data and statistics of the commercial fishing industry.

There are significant changes in some of the marine fisheries' programs. The Fish and Game Commission has approved the taking of a maximum of 75,000 tons of anchovies annually for reduction purposes. The approval requires that data shall be collected to make sure the anchovy resource is not depleted. The department requests \$40,000 from the Fish and Game Preservation Fund for the current year to begin a tagging and monitoring program to provide information for the management of the anchovy resources and \$45,000 in the budget year to finance three professional positions, temporary help and clerical assistance. The cost of the program should be more than offset by the \$1 per ton landing tax on fish for commercial purposes, which will provide \$75,000 revenue to the department.

The budget proposes five new programs as a result of federal money available under the Commercial Fisheries Research and Development Act of 1964 (PL 88-309). The purpose of the act is to provide financial aid to the states for research and development of their commercial fisheries. The federal share in the programs cannot exceed 75 percent of the total estimated cost of projects and, in some instances, is 50 percent of the cost. California is eligible for the maximum annual alloca-

Department of Fish and Game—Continued

tion under the act—\$246,000. The federal act carries authorization for an appropriation of \$5,000,000 in each of the next five years and \$4,100,000 was appropriated for the first year.

The department has begun commercial fisheries research and development projects in the current year amounting to \$69,000 using federal funds entirely and proposes projects totaling \$272,000 in the budget year with \$180,000 financed from federal funds and the state's portion, \$92,000, financed from the General Fund. The proposed programs and financing under the Commercial Fisheries Research and Development Act for fiscal year 1966-67 are as follows:

<i>Program</i>	<i>General Fund</i>	<i>Federal Funds</i>
Bottom Fish Data Analysis -----	\$14,371	\$14,372
Shell Fish Data Analysis -----	14,372	14,371
Marine Resources Culture Laboratories Study --	8,940	8,941
Fishery Resources Sea Survey -----	38,882	101,881
Food Habits Study -----	15,435	40,435
Totals -----	\$92,000	\$180,000

Various species of sole, lingcod, hake, and sablefish are called "bottom" fish and are caught by towing trawl nets. The Department of Fish and Game has collected data on this trawl fishery for over 40 years and the program proposes a compilation, processing and analysis of the backlog of data to achieve knowledge for long-term management and for improved utilization of the bottom fish. To do this work two and one-half positions are proposed.

The shellfish data analysis program is similar in that existing data on landings and areas of catch for crab and shrimp would be analyzed and disseminated. The objective would be the development of utilization plans for the resources and establishment of management procedures. There are two and one-half positions proposed for this work.

The department plans to develop and refine methods for cultivating shrimp, crab, abalone, and oysters by studying and controlling spawning and production. To this end one position is proposed to develop a general plan for a future marine resources culture laboratory. The laboratory would be used to refine the techniques for the growth of these species to enhance sports and commercial fishing for them.

The Fisheries Resources Sea Survey seeks to find out what fish populate the California current system in order that they may be caught and utilized. In general, the California current system is that portion of the ocean extending west of California for approximately 35 to 115 miles. Survey cruises will be conducted to determine the amounts of pelagic species and the data will be analyzed to determine the potential for economic utilization. The department proposes 10.5 positions for this work, which is a major increase in the past scale of this work.

Finally, the department proposes a study of the food habits and food requirements of some of the readily obtainable species inhabiting the California current system. In 1966-67, three positions are proposed for this work.

Department of Fish and Game—Continued

For the first time, the Department of Fish and Game proposes that it receive an appropriation of General Fund money to finance \$92,000 of the costs of the above five new programs. Research on ocean fisheries in the past has been financed either by the Fish and Game Preservation Fund or by revenues available to some other agency such as the Marine Research Committee or by research funds of educational institutions. General Fund financing of this program is now advanced on the basis that the commercial fishing industry is not financially able to directly support the program from a special tax, that the federal moneys appropriated for these purposes by PL 88-309 are from general revenues of the federal government, and that the sportsmen of California are already partially supporting research and management of commercial ocean fisheries and should not be expected to support any new programs.

If the State General Fund should eventually contribute to the support of the fish and game programs of California, as recommended in the department's fish and wildlife plan, it should be on the basis of a clear policy and for carefully defined work. The present proposal is a precedent and is based on a cost-sharing approach which is not clear and would be most uncertain if applied to the department's entire budget. The request for \$92,000 is subject to expansion in future budgets without presently observable limitations and as a precedent is unsatisfactory.

With the shortage of General Fund revenues, we are unable to recommend the funding of the state's portion of the commercial fisheries research programs from the General Fund and propose alternative funding. The funding responsibility of the state for the new programs is logically the responsibility of the Marine Research Committee. According to Section 729 of the Fish and Game Code, the purpose of the Marine Research Committee is "... financing research in the development of commercial fisheries of the Pacific Ocean and of marine products susceptible to being made available to the people of California." The programs of the committee are financed from a privilege tax of \$0.05 for each 100 pounds of sardines, Pacific and jack mackerel, squid, herring, and anchovies.

As a result of the recent decision by the Fish and Game Commission that 75,000 tons of anchovies may be taken annually for reduction purposes, the Marine Research Committee will have increased revenues of about \$75,000 during the budget year and, therefore, is requesting appropriations in Item 269 of \$123,500 to carry on their activities in 1966-67. However, the committee has not scheduled projects for expenditure of all its revenues and is requesting appropriation of \$51,311 for unallocated contractual services. These unallocated funds should be appropriated by the Legislature to finance part of the state's share of the Commercial Fisheries Research and Development Program. In addition, the committee requests appropriation of funds totaling \$38,000 to carry out the coordination of the Marine Research Program by the California Academy of Sciences. The committee's coordinator for this

Department of Fish and Game—Continued

work has recently resigned and funds formerly required for his salary amounting to \$18,935 may also be utilized to finance the Commercial Fisheries Research Program. Finally, \$20,000 of the committee's reserve could also be used, making a total of \$90,000. The balance of the state's share of the commercial fisheries Research and Development Program will be so minor that it can be financed from the Fish and Game Preservation Fund. Although primary emphasis of the studies to be carried out under this program are intended for the commercial fisheries industry, no doubt there will also be results that will be helpful to the ocean sport fishing industry.

We recommend that Item 268 of the Budget Bill, budget page 876, analysis page 746, for support of commercial fisheries research and development payable from the General Fund be deleted; that Item 269 payable from the Fish and Game Preservation Fund for support of the Marine Research Committee be augmented \$20,000; and that \$90,000 of the augmented \$143,500 be scheduled for support of the new commercial fisheries research and development programs.

Game Management

The Department of Fish and Game carries on substantial programs for the management of waterfowl, big game, and upland game. These programs are proposed for a continuation at the present level of expenditure. Approximately \$1,180,000 is budgeted of which about \$225,000 is funded by the federal government through the Pittman-Robertson program. The department operates six waterfowl management areas and maintains two game farms for the raising of pheasants and such game birds as partridges.

Utilization

In order to increase opportunities for hunting and fishing, the Department of Fish and Game conducts public hunting on its waterfowl management areas and some federal reserves and leases approximately 50,000 acres of private lands for public hunting. To establish and maintain access for hunters and fishermen, the department works with other agencies and private landowners, and also licenses and monitors commercial and private hunting clubs. The department proposes continuation of these programs at about the same level as the current year with funding of approximately \$390,000.

Related Services

The department finances predatory animal control through a contract for \$25,000 with the United States Department of Interior and issues permits to landowners for shooting of game and in some cases conducts special hunts to reduce crop damage. The hunters' safety training program of the department involves supervising and coordinating the activities of volunteer instructors who train young people under age 18 in the safe handling of firearms. From 25,000 to 30,000 young people are trained yearly. The conservation education program provides information to the public on fish and game laws and regulations.

Department of Fish and Game—Continued

A new activity in the disease control program began this year with work at the Nimbus Hatchery on the control of the Sacramento River chinook disease which affects the king salmon. The loss at the hatchery in one year has exceeded 3,000,000 fingerlings and the department requests continuation of the special studies with additional funding of approximately \$33,000 to finance two professional positions in their studies. Expenditures for the entire disease program are estimated at \$155,000 in the budget year contrasted with \$134,000 the current year.

Utilizing mostly federal funds, the department proposes approximately \$91,000 to continue investigation of the losses of fish and wildlife due to pesticides, to determine the level and extent of pesticide residues in fish and wildlife and corollary programs involving pesticides.

The Department of Fish and Game carries out some activities to increase or regulate natural habitat to maintain and enhance the fish and wildlife populations in the state. Almost half of the work is financed with federal funds. It consists of the chemical treatment of lakes and streams, planting crops at waterfowl management areas, brush manipulation and the installation and maintenance of guzzlers. In the budget year the department proposes to chemically treat 2,525 acres of lakes and 40 miles of streams and plant crops on about 45,000 acres of waterfowl marsh areas. Including federal funds, the program requires expenditures of almost \$1,000,000.

The major support for the work of the department comes from the sale of hunting and fishing licenses and tags. Consequently, the department must have a license management program to enable the public to purchase licenses and tags conveniently and to collect and account for the revenue. Most of the license sales are made through 3,296 private firms, called license agents, located throughout the state. These agents sell the licenses, retain a commission, and remit the balance to the department. The license management program is estimated at \$273,998. When added to the \$412,810 commission to be retained by the agents, the total estimated cost of selling licenses is \$686,808 or about 5½ percent of the total estimated revenue of \$12,489,995 from licenses, permits and tag sales.

Planning

During the current year, the Department of Fish and Game completed the California Fish and Wildlife Plan prepared under contract to the State Office of Planning. The project was partially financed by federal funds from the Housing and Home Finance Agency and partially from fish and game preservation funds. The department put a major effort into this work at all levels from the field force to the headquarters staff. The work was completed on schedule and an enormous amount of data has been collected concerning wildlife species and habitat. The plan represents a major accomplishment for the department. During 1966 the department will hold a series of meetings with the interested public to discuss the plan.

Department of Fish and Game—Continued

The department proposes the continuation of four professional positions with secretarial assistance to provide the leadership needed for planning in the department. Specific effort will now be made to establish priorities for the development of detailed area and species plans within the outline of the broad plan just completed. Expenditures for this planning effort are estimated at about \$135,000 in the proposed budget year in contrast to about \$200,000 in the current year.

The Resources Agency Administrator has allocated \$40,000 of Federal Land and Water Conservation Fund moneys to the Department of Fish and Game to continue planning programs for nongame species as part of the Department of Fish and Game's Fish and Wildlife Plan. Part of this allocation will be used to integrate the fish and wildlife plan with the California Outdoor Recreation Plan which must be submitted to the Bureau of Outdoor Recreation for continued allocation of federal funds. If this work is to be done, it should be financed with Fish and Game Preservation Fund money.

The department proposes to begin in 1966-67 the San Francisco Bay Fish and Wildlife Protection Study. The budget includes \$25,000 to finance a regional manager position with secretarial assistance. The duties of the position will be to supervise work on the San Francisco Bay Fish and Wildlife Protection Study and to coordinate the work done by the Department of Fish and Game with the San Francisco Bay Conservation and Development Commission. Particular attention will be given to outlining the basic elements of the San Francisco Bay fish and wildlife plan and to identifying questions and problems which will require solution by 1969 when the San Francisco Bay Conservation and Development Commission will complete its plan for the conservation of San Francisco Bay. The department has indicated that it can absorb much of the work it needs to do for the bay conservation study within its existing staffs and programs. It, therefore, has not budgeted at this time any special work for the bay conservation study.

However, the department has identified work which it believes will be required for completion of both the bay conservation study by the San Francisco Bay Conservation and Development Commission and the bay-delta waste water study by the State Water Quality Control Board. Unfortunately, the formulation of both of these studies, which are not the direct responsibility of the department, is so indefinite at the time of preparing this analysis that it is not possible to determine what work may be needed for these two studies which can be absorbed within the department's budget.

It is our intention to continue studying information now being prepared in order to recommend to the Legislature a fully coordinated program for San Francisco Bay studies at the time of budget hearings. We recommend that the Legislature not approve any program or provide any funding on an incomplete basis and act only after reviewing all portions of pertinent budgets in the Departments of Fish and Game, Water Resources, the State Water Quality Control Board, the San Francisco Bay Conservation and Development Commission, and other budgets which may be included.

Fish and Game**Items 266-267****Department of Fish and Game—Continued**

With the deletion of General Fund financing of the commercial fisheries research and development program (Item 268) we recommend approval of the department's request as budgeted.

Department of Fish and Game**ITEM 266 of the Budget Bill****Budget page 861****FOR SUPPORT OF GAME AND FISH MANAGEMENT IN
COOPERATION WITH THE FEDERAL GOVERNMENT
FROM THE FISH AND GAME PRESERVATION FUND**

Amount requested	\$392,275
Estimated to be expended in 1965-66 fiscal year	360,975
Increase (8.7 percent)	\$31,300

TOTAL RECOMMENDED REDUCTION..... None**ANALYSIS AND RECOMMENDATION**

These programs of cooperative fish and wildlife management projects are based upon federal legislation, the Pittman-Robertson and the Dingell-Johnson Acts. Federal funds are derived from an excise tax on sporting arms and ammunition and sport fishing tackle and equipment. The federal government pays 75 percent of the cost of approved projects while the state pays 25 percent. The budget proposes expenditures of \$392,275 from the Fish and Game Preservation Fund to provide the 25 percent state participation. Federal grants are estimated at \$1,176,825, bringing the total cost to \$1,569,100. Of this total, \$1,071,800 is for game management and \$497,300 is for fish management.

The discussion of the programs funded by this item is included in the analysis of Item 265, the support of the Department of Fish and Game.

We recommend approval.

Department of Fish and Game**PACIFIC MARINE FISHERIES COMMISSION****ITEM 267 of the Budget Bill****Budget page 875****FOR SUPPORT OF PACIFIC MARINE FISHERIES
COMMISSION FROM THE FISH AND GAME
PRESERVATION FUND**

Amount requested	\$26,600
Estimated to be expended in 1965-66 fiscal year	26,600
Increase	None

TOTAL RECOMMENDED REDUCTION..... None**ANALYSIS AND RECOMMENDATION**

The Pacific Marine Fisheries Commission was established by an interstate compact in 1947 to promote better utilization of fisheries and to develop a joint program of protection and prevention of physical waste of the ocean fisheries which are of mutual concern to the states of California, Oregon and Washington. Congress amended the compact in 1962

Pacific Marine Fisheries Commission—Continued

to permit entry of Alaska or Hawaii or any state having rivers tributary to the Pacific Ocean. In 1964, Idaho joined the compact.

The commission is headquartered in Portland, Oregon, and the staff consists of an executive director and a secretary along with some occasional temporary help.

Funds for the support of the commission come from the member states and are determined in proportion to the primary market value of the products of their fisheries, provided that no state shall pay less than \$2,000 per year. The 1964 funding was as follows:

California	\$26,600	
Oregon	3,900	
Idaho	2,000	
Washington	10,800	\$43,300

The latest available statement of receipts and disbursements is for the year 1964 in which the commission spent \$41,017. Of that amount, the major items of expense were:

Staff	\$22,410
Annual and research meetings	9,652
Printing	3,016
Rent	1,410

The compact states that the purpose of the organization is to promote the fisheries which are of "mutual concern" to the member states. The funding for the organization, however, is on the basis of fish landings in each of the states. The tuna landings in Southern California, which are of little interest to Oregon and Washington, create the heavy funding requirements for California. Over the years, the commission has displayed little interest in tuna.

Properly, the funding of the commission should be among fisheries of "mutual concern" consistent with the purpose of the compact. The species which seem to have a common interest are salmon, crab, shrimp, oysters, and rockfish. If these species provided the basis for funding as they apparently now provide the basis for common action and interest, the states of Oregon and Washington would be heavier contributors.

At the 1965 annual meeting of the commission, the Director of California's Department of Fish and Game, one of California's three representatives on the commission, proposed to finance the organization by collections on fisheries of common interest. A committee was appointed to study the funding and make a recommendation to the full executive committee in the spring of 1966. If the commission approves revisions in the method of funding, final action will have to be taken by Congress to amend the compact. Efforts by California representatives to make the commission an organization financed on the basis of species common to the member states are to be commended.

We recommend approval of the budget request.

Department of Fish and Game

PROGRAMS IN COOPERATION WITH THE FEDERAL GOVERNMENT

ITEM 268 of the Budget Bill

Budget page 873

FOR SUPPORT OF COMMERCIAL FISHERIES RESEARCH AND
DEVELOPMENT IN COOPERATION WITH THE FEDERAL
GOVERNMENT FROM THE GENERAL FUND

Amount requested	\$92,000
Estimated to be expended in 1965-66 fiscal year	None

Increase	\$92,000
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TOTAL RECOMMENDED REDUCTION	\$92,000
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Summary of Recommended Reductions

<i>Budget</i>
<i>Page Line</i>

Eliminate General Fund appropriation. Fund this program with Marine Research Committee appropriation (Item 269) payable from the Fish and Game Preservation Fund	876	32
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ANALYSIS AND RECOMMENDATION

Public Law 88-309, the Bartlett Act, was enacted by Congress to assist state agencies in carrying out projects to research and develop the commercial fisheries resources of the nation. Congress has authorized \$5,000,000 of federal general fund revenues for each of the next five years to carry out the purposes of the act.

The analysis of this program appears in the discussion of the Department of Fish and Game support programs, page 738 of the analysis. In that item, we recommend approval of the new programs to be carried out by the department but have recommended alternate financing from the Marine Research Committee and the Fish and Game Preservation Fund.

Approval of the program proposed by this item is recommended. The General Fund appropriation should be eliminated and \$90,000 from Marine Research Committee money (Item 269) including a proposed augmentation of \$20,000 from the Fish and Game Preservation Fund should be substituted in its place.

Department of Fish and Game

MARINE RESEARCH COMMITTEE

ITEM 269 of the Budget Bill

Budget page 878

FOR SUPPORT OF MARINE RESEARCH COMMITTEE
FROM THE FISH AND GAME PRESERVATION FUND

Amount requested	\$123,500
Estimated to be expended in 1965-66 fiscal year	94,811

Increase (30.3 percent)	\$28,689
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TOTAL RECOMMENDED INCREASE	\$20,000
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Summary of Recommended Increase

Increase appropriation \$20,000 and allocate \$90,000 to finance Commercial Fisheries Research and Development program.

ANALYSIS AND RECOMMENDATIONS

The Marine Research Committee consists of nine members appointed by the Governor. Most of the members represent the commercial fishing

Marine Research Committee—Continued

industry. Support for the committee comes from a privilege tax of 5 cents for each 100 pounds of sardines, Pacific mackerel, jack mackerel, squid, herring, and anchovies taken by commercial fishermen.

According to Section 729 of the Fish and Game Code, the purpose of the Marine Research Committee is to finance "... research in the development of commercial fisheries of the Pacific Ocean and of marine products. . . ." The research is done under contract by such agencies as the California Academy of Sciences, the Department of Fish and Game, and the Hopkins Marine Station. The committee's research contract with the Department of Fish and Game for 1966-67 is budgeted at \$500. In comparison the same contract for the current year is \$22,073, which is to finance the compilation and analysis of raw data from sea surveys of prior years. Presumably some of the sea survey work is being shifted from Marine Research Committee funds to federal funds available under the Bartlett Act.

The Fish and Game Commission has approved the taking of 75,000 tons of anchovies annually for reduction purposes. This action will more than double the revenues to the committee from the current \$69,000 to an estimated \$145,000 in the budget year. The committee requests appropriations of \$123,500 in 1966-67. However, \$51,311 of the requested amount is for unallocated contracts. In the analysis of the Department of Fish and Game budget, page 741 of the analysis, we have recommended that these unallocated funds of \$51,311, plus the salary for the former coordinator, amounting to \$18,935, and \$20,000 of the committee's reserve be used to support the state's portion of the new commercial fisheries research and development program. If this recommendation is followed, the committee would have three studies in operation, the anchovy food and feeding research of the California Academy of Sciences, the research by the Hopkins Marine Station on the oceanographic factors influencing pelagic fishes of the Monterey Bay area, and the food study of pelagic carnivores by San Diego State College. The Marine Research Committee would have a reserve of approximately \$10,000 in its fund.

It should be noted that the availability of federal funds under the Bartlett act to finance research and development of ocean fisheries has further shifted responsibility for such work from the Marine Research Committee to the Department of Fish and Game. In addition, because of recent difficulties of the Marine Research Committee in establishing its program objectives, staffing problems, and uncertain relationships with the Fish and Game Commission, it is difficult to justify continuation of the Marine Research Committee. These reasons reinforce our recommendation made in Item 265 to use the uncommitted funds of the Marine Research Committee to finance the state's portion of Bartlett Act programs rather than using General Fund money.

We recommend that \$90,000 of Marine Research Committee funds be allocated to the Department of Fish and Game for support of Bartlett Act programs on research and development of marine fisheries. This recommendation would increase this item to \$143,500.

**Department of Fish and Game
WILDLIFE CONSERVATION BOARD**

ITEM 270 of the Budget Bill

Budget page 879

**FOR SUPPORT OF THE WILDLIFE CONSERVATION BOARD
FROM THE WILDLIFE RESTORATION FUND**

Amount requested	\$96,562
Estimated to be expended in 1965-66 fiscal year	95,806
Increase (0.8 percent)	\$756

TOTAL RECOMMENDED REDUCTION None

GENERAL PROGRAM STATEMENT

The Wildlife Conservation Board, established in 1947, consists of the President of the Fish and Game Commission, the Director of the Department of Fish and Game, and the Director of Finance. Three Members of the Senate and three Members of the Assembly act as an advisory group and an interim investigating committee. The board has a staff of six. The board's function is to acquire and restore areas to sustain wildlife and provide recreation.

ANALYSIS AND RECOMMENDATIONS

As authorized in Section 19632 of the Business and Professions Code, the board's program is supported from the annual diversion of \$750,000 of horserace license revenues to the Wildlife Restoration Fund from money which would otherwise go to the General Fund. Projects authorized and constructed by the board from these funds are not subject to budget bill appropriation although we have recommended this appropriation in past analyses. This item only appropriates funds for the support of the board's staff from the Wildlife Restoration Fund and maintains the existing level of service.

In recent years the board has shifted emphasis in its program to the acquisition and development of projects for which there is assurance that maintenance and operation will be provided by a local agency. As of December 1965, the Wildlife Conservation Board has allocated over \$19 million for projects in almost every county as follows:

<i>Project</i>	<i>Amount</i>
Fish hatchery and stocking projects	\$4,509,499
Fish habitat development and improvement	2,657,763
Angling access projects (includes both launching ramps and piers)	5,588,243
Game farm projects	146,895
Game habitat development and improvement projects	6,024,196
Hunting access	443,753
Miscellaneous	210,631
Total allocated to specific projects	\$19,580,981

The Recreation Bond Act of 1964 provides \$5 million to finance projects for the Wildlife Conservation Board. Projects financed from bond funds are subject to legislative review and appropriation and

Wildlife Conservation Board—Continued

appear in the analysis under discussion of Items 422 and 425. In addition the board has been allocated \$450,000 by the Resources Agency Administrator from California's apportionment in the Federal Land and Water Conservation Fund. Details on this allocation appear under Item No. 418.

The support appropriation proposed by this item is for the administrative costs of the board and maintains the existing level of service.

The state's various recreation programs, of which this item is one, should be coordinated by means of the budget instead of being approached in an uncoordinated fashion through various organizations, unrelated financing and continuing appropriations. The Legislature could secure this result by placing the list of Wildlife Conservation Board projects in an item of the budget bill. Experience has indicated that this approach is not fully effective unless the administration supports such an item and will be guided by it in lieu of relying on statutory continuing appropriation authority. *It is, therefore, recommended that the Legislature request the Department of Finance to include the Wildlife Conservation Board projects in the budget bill for 1967. Because the Legislature in the past has approved this item as here budgeted and it is doubtful that a budgetary program for the projects could be prepared before next year, we are not making an adverse recommendation on this support appropriation but recommend its approval this year.*

DEPARTMENT OF PARKS AND RECREATION

ITEMS 271 and 272 of the Budget Bill

Budget page 880

FOR SUPPORT OF THE DEPARTMENT OF PARKS AND RECREATION FROM THE GENERAL FUND AND THE SMALL CRAFT HARBOR REVOLVING FUND

Amount Requested:

(Item 271) General Fund.....	\$14,655,676
(Item 272) Small Craft Harbor Revolving Fund.....	887,595

Total requested	\$15,543,271
Estimated to be expended in 1965-66.....	15,833,038

Decrease (1.8 percent)	\$289,767
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TOTAL RECOMMENDED AUGMENTATION (General Fund)..... \$50,000

Summary of Recommendations

	Amount	Budget Page	Line
1. Augment budget \$65,000 to provide General Fund financing for statewide planning.....	\$65,000	882	75
2. Transfer \$63,000 Federal Land and Water Conservation Fund money for administration of federal grants from Resources Agency Administrator to Department of Parks and Recreation.....	63,000	882	75
3. Reduce fire suppression services at Squaw Valley—\$15,000.....	15,000	887	83

Management Recommendations

	analysis page
1. Squaw Valley operations.....	763
2. North coast redwoods.....	755
3. One new concession specialist position be utilized in liaison with planning units for development of park facilities with private funds.....	767

Department of Parks and Recreation—Continued

GENERAL PROGRAM STATEMENT

The Department of Parks and Recreation performs statewide recreation planning and plans, acquires, develops and operates state recreation projects and facilities. The department consists of the Divisions of Beaches and Parks, Small Craft Harbors, and Recreation, with service functions such as personnel and fiscal matters performed by the Division of Administration. General policies for the administration of the three operating divisions are established by the State Park Commission, the Small Craft Harbors Commission, and the Recreation Commission, all of whose members are appointed by the Governor.

The department has budgeted programs for 1966-67 involving \$94,-210,144 in appropriations, as follows:

Item 271, support from the General Fund_____	\$14,655,676
Item 421, planning expenditures from bond funds_____	175,918
Item 419, administration of state grant money from bond funds _____	50,460
Item 272, support from the Small Craft Harbor Re- volving Fund _____	887,595
Item 398, capital outlay for development of the State Park System from the General Fund_____	14,839,512
Item 423, capital outlay for acquisition of state park projects from bond funds_____	44,054,318
Item 424, capital outlay, minimum development from bond funds _____	4,644,100
Item 418, local assistance, grants to local projects from bond funds_____	10,964,950
Item 420, local assistance, grants to local projects from Federal Land and Water Conservation Funds which are matched by bond funds_____	1,815,000
Items 355 through 357, local assistance, grants and loans for small craft harbors from the Small Craft Harbor Revolving Fund_____	1,600,470
Item 399, launching facilities at the state water project	522,145

The proposed budget for the Department of Parks and Recreation requests support expenditures of \$15,543,271 compared to estimated expenditures of \$15,833,038 in the current year, a decrease of \$289,767 or 1.8 percent. The apparent decrease is created by a nonrecurring expenditure during the current year of \$1,563,746 for repair of facilities damaged in the winter floods of 1964, and reimbursements of \$115,000 from the Resources Agency in the budget year for continuing and increased planning activities which are proposed to be financed by the Federal Land and Water Conservation Fund. If the budgets for the current and proposed year are presented on the same basis, there is an increase in the proposed budget of \$1,388,979 or 9.7 percent. The increase consists mostly of \$815,000 for new positions and \$250,000 for

Department of Parks and Recreation—Continued

increased equipment purchases for the Division of Beaches and Parks.

The budget proposes 139.1 net new positions after a reduction of 8 existing positions and the transfer of eight others among the divisions. The new positions would be distributed throughout the department as follows:

Division of Administration.....	22.1
Division of Beaches and Parks.....	101.7
Division of Small Craft Harbors.....	15.3
Total	139.1

For presentation and analysis, the department's support functions are divided into the programs of planning and development, and operations.

ANALYSIS AND RECOMMENDATIONS

During the last half of calendar year 1965 the Department of Parks and Recreation was confronted with a severe challenge. The Legislature had rejected much of the acquisition program as proposed by the department to be financed from the \$85,000,000 contained in the State Beach, Park, Recreation and Historical Facilities Bond Act of 1964 and by explicit language in the budget act and in a resolution had directed the department to prepare a revised bond acquisition program for consideration in the present session.

A task of major proportions confronted the department to complete its studies of projects proposed for acquisition with bond funds, to develop a method of evaluating projects for recommendation to the Legislature, to anticipate the impact of development requirements and prepare funding studies, to develop better planning data and approaches for use in decision-making, and finally, to undertake preparations to develop and operate the rapidly expanding park system. Our general conclusion is that the department has responded to the directive and has begun solutions to its problems which represent as much accomplishment as can be reasonably expected.

While recent departmental accomplishments deserve favorable comment, particularly in view of our criticisms of the department's budget proposals last session, the accomplishments to date represent only a beginning. The evaluation techniques which have been developed can be regarded as acceptable for the decisions they must guide only because previously the department had no objective aids to decision making. The new techniques are based on limited, and in some cases inadequate, data and require further development and adjusting in the light of experience. Similarly, the department is only beginning to prepare standards and revise practices for development and operation of the state park system. Several of the suggestions and recommendations we have made in the past are being studied for possible application. New approaches and concepts are being explored. As a result the department is showing indications of a desire to manage the large state park system rather than merely to acquire property,

Department of Parks and Recreation—Continued

develop expensive installations or provide unique recreational or esthetic experiences. In short, considerably more attention is being given to what the state park system achieves for the money it spends.

The State Park Commission has worked long hours during the past year in carrying out its responsibilities as part of the increased activities of the department. The commissioners volunteer their services and devoted a great deal of time to public meetings and other activities in behalf of the park system. During 1965, the commission held meetings on 20 different days devoted to hearings on the north coast redwoods proposals and to consideration of the Recreation Bond Act acquisitions, in addition to regular meetings. We believe the commission has performed an extraordinary service to the state and should be commended.

Another important result of developments during the last calendar year is that the functions of the Department of Parks and Recreation now extend far beyond the administration of the state park system and a small craft harbors program. The department has been designated by the Legislature and the Resources Agency Administrator as the agent to administer the \$40,000,000 in grants to local recreation projects financed from the state's \$150,000,000 recreation bond issue and the federal grant money from the Land and Water Conservation Fund. As a result, a statewide recreation plan, a capacity to evaluate local projects, and most importantly a means of weighing local project needs against state park system needs on a fair and objective basis must be developed.

. At present there is little basis to evaluate state versus local needs and, therefore, this session the administration and the Legislature are confronted with the problem of allocating federal grant money between state and local needs without having adequate objective basis for decision. This will be an annually recurring problem because the federal grants are part of a long-term federal recreation program the administration of which will require the state, acting on the advice of the department, to evaluate the relative priorities of state and local projects.

A somewhat similar problem involving the proper integration of recreation at the State Water Project with development of the state park system will also require the Department of Parks and Recreation to conduct broad planning and program formulation. In the 1966-67 Capital Outlay budget for development of the state park system, approximately half the funds are for development of recreation at the State Water Project. Since these facilities often have as much local as statewide significance, it will become increasingly important that the department evaluate and program state expenditures carefully.

From the foregoing brief discussion it can be seen that the Department of Parks and Recreation is emerging as a major statewide recreation planning and programming force. No alternative has been suggested if the state is to manage the various recreation programs involving large expenditures now and in the future on a sound basis. Therefore, as in the past, this analysis is predicated on the continuing evolution of the Department of Parks and Recreation as the core of

Department of Parks and Recreation—Continued

the state's recreation programs and, as discussed in more detail below, we are recommending approval of the modest planning and programming proposals contained in the budget request.

Statewide Planning**Planning and Development**

Long-range planning to meet the needs discussed above consists of the overall statewide planning to be conducted by the departmental planning staff in the director's office, the state park system plan prepared and maintained by the Division of Beaches and Parks, and the California boating plan of the Division of Small Craft Harbors. In the budget year the department proposes the formation of a statewide recreation planning unit of 10 positions in the director's office to provide a continuing analysis of recreation problems in California and recommendations for their solution. The unit of 10 positions would be formed by the transfer of 6 positions from the Division of Recreation, 2 from the Division of Beaches and Parks, a reclassification of an assistant to the director to the position of supervisor, statewide recreation planning, and the addition of 1 new position to the department, an associate economist. In addition, 4.3 new positions would be added to update and maintain the California outdoor recreation plan, which is required for participation in the distribution of Federal Land and Water Conservation Funds. These 4.3 positions are budgeted to be financed by \$65,000 from the Federal Land and Water Fund allocated to the Resources Agency Administrator and transferred by contract to the Department of Parks and Recreation.

Under our analysis of budget Item 250 for support of the Resources Agency Administrator we are recommending that \$65,000 in General Fund money be appropriated directly to the Department of Parks and Recreation and that federal funds not be used to initiate this work. We are also recommending a compensating reduction in expenditure of General Fund money for development of the state park system by substituting federal grant money.

We are making this recommendation because the preparation of a statewide recreation plan and program is a matter of major state significance. It should be developed, as discussed above, to permit sound administration and financing of state programs involving many times more money than the federal grants. The state is more advanced than the federal government in recreation programming, and has a continuing need for recreation planning and programming as the base of its own work. The planning work should be undertaken by the state only as a long-term commitment and with the anticipation that long-term funding will be required. This means General Fund financing rather than use of federal funds which may be available for this purpose only on a transitory basis. Finally, the appropriation should be made directly to the action department which is to do the work.

It is recommended that the budget of the Department of Parks and Recreation be augmented by \$65,000 in General Fund money for recreation planning rather than using federal money.

Department of Parks and Recreation—Continued

The objective of the state park system plan is to identify potential state park areas on the basis of need for types of facilities or areas and the need for preservation of specific types of California landscape. The California boating plan portion of the long-range planning contributes boating facilities inventory data to the statewide program and provides a basis for providing a balanced and coordinated boating facility development program throughout the state.

During the year the department has pushed work on the recreation element of the state development plan. The publication of the report has been delayed but the report should be released shortly.

Park Planning Progress

During the current year, the project planning staffs from three regional offices have been assigned the task of compiling and analyzing a park resources inventory to determine the potential for development of present park units. A startling disclosure stems from this effort. According to the report, "Accelerated Development Program," published by the Department of Parks and Recreation, "The results of this analysis indicate that the existing state park system, including the currently funded acquisition projects, can be developed for public use to substantially meet the projected demands placed upon it." In general, the present state park system has a potential for development of about four times that of the existing facilities. The report states "The total cost of these developments, including visitor centers, some park parkways, trails, group areas, historical and resources restoration, public safety features and service facilities, amounts to about \$564 million."

A comparison of the existing facilities in the state park system in October 1965 compared with the undeveloped potential follows.

<i>Facility</i>	<i>Number of existing units, 1965</i>	<i>Undeveloped potential</i>
Camp units -----	5,892	22,919
Picnic units -----	5,091	29,882
Parking spaces -----	18,263	54,512
Boat ramps -----	50	211

The report emphasizes that the unmet need of the state's recreation responsibilities is in development of existing park lands rather than the acquisition of new lands. Furthermore, the existence of 20 million acres of United States Forest Service land in California available for public recreation obviates the necessity for major land acquisition to meet state responsibilities in outdoor recreation.

Our review of plans for development at Point Mugu and Sugar Pine Point indicates that no long-range plans for the development and management of these and other new park acquisitions have been prepared. The staff which would normally be doing this work has been working on the acquisition program and other matters. Next fiscal year major emphasis should be placed on preparation of these overall plans prior to initial development.

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Redwood Master Planning

In April of 1965 the department published a preliminary report on a North Coast Redwood Master Plan prepared by the planning and control section of the Division of Beaches and Parks. This report proposed additions to Jedediah Smith Redwoods, Del Norte Coast Redwoods, Prairie Creek Redwoods, and Humboldt Redwoods State Parks. After release of the preliminary report, the State Park Commission held several hearings on the report at different locations in the state.

The federal government has recently proposed to establish a national park in the redwood country. Action by the federal government appears imminent although not on the scale that has been frequently surmised. The President has included \$10,000,000 in his budget from the Federal Land and Water Conservation Fund for the acquisition of certain undisclosed redwood lands in the north coast. Meanwhile, state acquisitions continue for the state redwood parks. The Legislature appropriated funds at the 1965 session to purchase Gold Bluff Beach at Prairie Creek Redwoods State Park but added restrictive language on other redwood commitments. The Governor's budget for park bond acquisition during 1966-67 includes acquisition of land at the Pepperwood Grove as part of Humboldt State Park and the beach at Crescent City as part of Del Norte Coast Redwoods State Park.

Due to the legislative interest in redwood park planning and the fiscal implication of some proposals for large acquisitions coupled with continuing unknown development costs, this office undertook to review the fiscal aspects of current state redwood park planning and acquisitions. In general, two of the four state parks are outstanding in terms of park values, i.e., combinations of virgin redwoods, water, general scenic attractions and esthetic values. These two parks are Jedediah Smith Redwoods State Park and Prairie Creek Redwood State Park. The other two parks, Del Norte and Humboldt, contain excellent stands of virgin redwoods and other park values, but do not contain the unique combinations of park values found in the above two parks. All four of the parks have magnificent stands of virgin redwoods which are of sufficient size to be major attractions by themselves.

There is no evidence that the 42,000 acres of primeval (virgin) redwood timber land now in the state park system in these four parks is not sufficient for state park purposes. Numerous other smaller state parks also contain good but small stands of primeval redwoods. No data has been developed by any one on the acreage which should be preserved to provide an adequate display of the towering redwood forests. Some private groups insist on acquisition of more virgin redwoods based on the premise that it is impossible to acquire too much. This philosophy is not acceptable for the state park system and is not subscribed to by the Department of Parks and Recreation, which proposes the addition of only 6,500 more acres of virgin redwood in its master plan. Most of this acquisition is favored by the timber industry.

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There are several reasons besides the adverse impact on the redwood lumber industry why unlimited acquisition of redwoods is not a desirable objective. Foremost of these is the limited visual appreciation of redwood stands by the visitor. Redwoods normally grow in dense forests along narrow canyon bottoms or on steep hills. It is rare that the visitor can see more than 200 yards through these forests and, of course, he cannot see the overall forest when he is on the ground. Similarly, from a distance, a view of the forest is not particularly impressive because the massive, cathedral quality of the trees is best appreciated when viewed from the ground among the trees.

The development of roads to permit any substantial number of people to see the redwoods requires cutting trees which, in turn, tends to open up the forest to damage from winds that can fell the trees along the edge of the opening. Both the trees and the undergrowth can be damaged by large numbers of people walking through the area. Therefore, the redwoods are enjoyed most effectively by a small number of people who can view them in their virgin state, but this is incompatible with large parks and heavy visitation by the public. The primeval stands of redwood are not considered safe for extensive development of campsites, picnic tables and parking areas because of the danger from falling trees and limbs. The size and immense height of these trees create unusual problems in this respect. It is, therefore, necessary to keep such installations on the fringes of the redwood groves and to provide for enjoyment of the redwoods through travel along narrow roads and trails.

With a few exceptions, virtually all of the presently owned stands of primeval redwoods in our four north coast redwood parks are either undeveloped or developed to only a minor extent in terms of visitor facilities. Most of the property is presently locked away from the public and is currently inaccessible. In fact, it is not easy for park personnel to get into extensive areas of primeval redwoods now in the state park system. The value of state ownership of present lands lies in the future possibility of developing access for the public and the psychological satisfaction of knowing that the state owns these redwood stands even though they are inaccessible.

The greatest need is for development of the existing properties in our four parks so that the public can view the extensive redwood forests that the state now owns. The construction of such roads and trails in difficult terrain and the annual maintenance will be expensive. The construction of additional campsites in and adjacent to these redwoods will no doubt be needed, but must be evaluated in terms of campsite requirements throughout the state park system.

The North Coast Redwood Master Plan of the Department of Parks and Recreation is basically a proposal for the acquisition of additional lands adjacent to the four existing parks. Before the North Coast Redwood Master Plan can become an effective master plan, several years of additional work will be required to include proposals for development, management, and many other factors pertinent to the best utilization of the four existing units of the state park system. The

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department views the master plan as a preliminary effort. It is a good step in the right direction but will require much additional work.

The Gold Bluff Beach acquisition, including Fern Canyon, which the Legislature included in the bond acquisition program last session, was clearly the highest priority remaining acquisition for the redwood parks. Other acquisitions proposed, including 38,500 acres of logged and cutover lands contained in the state's master plan report, are primarily for campsites and can be deferred until needed for campsites since these cutover lands have little economic or esthetic value. In other instances certain primeval redwood lands have been reserved or set aside by the timber industry because of feared adverse public reaction if the timber were logged. Most of these lands have been included in both the proposal of the timber industry and the state's master plan for state acquisition. However, these lands and a few other parcels which are inaccessible do not represent high priority acquisitions since they would have previously been logged or put to other use if this were feasible.

Of particular importance is the need to push ahead with several land exchanges which have been delayed for many years. The state already owns several parcels of land which been acquired for the sole purpose of exchange with the timber industry for desirable lands adjacent to the state parks. Since this acquisition is already funded, it should not be unnecessarily delayed. This exchange program represents an area of progress in the development of our state park system which can occur without incurring additional costs to the state.

Several areas adjacent to the four state parks may be worthy of acquisition in the immediate future because of the scenic and recreational value of this property as opposed to the redwood forest values of the property discussed above. Included in this category would be the beach south of Crescent City and certain lands along the Smith River at Jedediah Smith State Park. Additional beaches along Prairie Creek State Park might also be acquired but the state presently owns many miles of beach in this area. These acquisitions should be evaluated in terms of their general state park values because they serve purposes similar to other parks of the system.

The department has included a "zone of interest" concept in its master plan report. This zone of interest is intended to include upstream lands in a watershed which may have detrimental effect on downstream redwood stands if poor forest management practices are permitted on these lands. However, the department is presently unable to specify the nature of the forest practices which would be desirable for these lands and, in many instances, it is doubtful that the lands involved are sufficiently extensive to warrant the department's concern. In several instances the proposed zone of interest lies adjacent to campsite areas which do not warrant such protection since these lands have recently been logged. In only one instance, that of the Mill Creek watershed, does there appear to be any significant justification for a zone of interest concept. It appears that this feature of the master

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plan report will require extensive additional study by the department. It is an alternative to the department's practice in the Humboldt State Park of acquiring the lands upstream from the Bull Creek redwoods flats by fee purchase in order to prevent erosion and to conserve the redwood stands in the park. We are unable at this time to recommend an approach because of the lack of specific data on appropriate forest practices.

The concern of the timber interests over the acquisition proposals of the Department of Parks and Recreation appears to be excessive in view of the limited proposed purchases of virgin redwoods. Many of the acquisitions in the department's master plan report are agreeable to the timber industry. The major disagreement with the department's master plan report appears to involve the acquisition of extensive cut-over lands which the department recognizes have a low priority for acquisition. The timber industry has a legitimate concern in that the master plan report contains no time table or system of priorities for proposed acquisition and, therefore, the industry does not know how important certain proposed acquisitions are to the state.

The timber industry has been responding to the redwood park proposals by opening up extensive timber lands to public entry for camping, fishing, hunting and recreation. This is a counter move to the proposed acquisition of new parks or the major expansion of existing parks and is a progressive step by the timber industry.

We recommend that:

- 1. The Legislature urge private groups to participate with the state in financing the development costs of existing state redwood lands to help make available to the public the redwoods already acquired by the state.*
- 2. The State of California offer one or two of its redwood parks to form the nucleus of a national park. Certain existing state park properties, if reconstituted as a national park, would elevate the stature of the areas and give them national attention. This should result in additional visitations and greater economic benefit to the north coastal area while incurring minimum economic detriments to the timber interests.*
- 3. State redwood park acquisition in the future should be limited to minor purchases to round out present holdings, especially scenic areas or cutover forest lands when actually needed for campsite development.*
- 4. Development of the redwoods should emphasize access for visitors to view the redwoods and the construction of primitive camps to permit additional visitor use. In view of the short visitor season in the redwoods, the more expensive campsite designs located along rivers in some instances where they wash out are difficult to justify. However, more expensive units might be justified if the recreation industry in the north coastal area would emphasize the fact that the season is longer than July and August. Actually, the period from mid-April through June as well as September and October are some of the best months to visit the north coastal*

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area and the redwoods. This extended season is not generally appreciated by the public which tends to visit the area during the foggy months of July and August. It would be advantageous to the state park system as well as the economy of the area if this point could be made better known.

- 5. The department's master plan should be reworked and in the future brought up to the standards of a true master plan for acquisition, development, operation and management of the redwood parks.*

Capital Outlay Planning

Capital outlay planning includes planning of park acquisition and development upon which to base an appropriation request for acquisition or development. Most of the work is performed for the Division of Beaches and Parks by the Department of General Services. The division prepares specific requests for land acquisitions and forwards these requests to the property acquisition section of the Department of General Services for estimating of acquisition costs. Similarly, project construction requests go to the Office of Architecture and Construction for preparation of preliminary plans and cost estimates.

The proposed budget includes acquisitions of 23 different projects for \$44,054,318 and development of \$4,644,100 under the 1964 Recreation Bond Act and a \$500,000 item for opportunity purchases in the capital outlay major development Item 398 from the General Fund. In addition, the major development proposed for 1966-67 includes \$9,241,895 for development of recreation facilities at State Water Project sites and \$9,971,368 for development of various units of the existing state park system. The budget includes the reduction of eight positions concerned with development and capital outlay planning of park projects, which functions are now the responsibility of the Department of General Services.

Small Craft Harbors Planning

The Division of Small Craft Harbors is responsible for certain project planning and development of boating facilities. The division establishes the feasibility for financial assistance of some boating facility projects, provides guidance for the location of facilities, and assistance in the form of loans and grants to public agencies for small craft boating facilities and harbors of refuge. The division makes reconnaissance studies on the request of a local agency for a loan or a grant and prepares feasibility studies and makes recommendations to the Small Craft Harbors Commission for approval of a loan or grant. Costs for this service are estimated at about \$250,000.

The Division of Small Craft Harbors has recently been designated by the Resources Agency Administrator to coordinate the state's review of all navigation permit applications received from the United States Corps of Engineers. The budget proposes one additional position with General Fund financing to assist in the review of these permits.

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Water Project Recreation Planning

The Department of Water Resources is responsible by law for the development of recreation facilities at the State Water Project. Major water project recreational developments will be located principally at the Oroville Dam, at the San Luis Dam, at smaller access and recreation sites along the California Aqueduct, and at the storage reservoirs in southern California. The Department of Water Resources contracts with the Department of Parks and Recreation for the recreation planning. For this purpose, and also to serve as the recreation advisors for the Department of Water Resources on Davis-Grunsky projects, the Department of Parks and Recreation has a unit of about 23 personnel. A continuing workload for at least six more years for this function is expected. The work of this recreation planning group is impeded by the slowness of land acquisition by Water Resources in the same manner that construction by the Department of Water Resources of the State Water Project must contend with delays in land acquisition. Tightness of the construction schedule is the major reason for the inability to acquire land on time. Because of failure to acquire land on schedule, there has been a need to delay the planting of trees in certain areas for Castaic Reservoir in southern California and Los Angeles County has been unable to go ahead on schedule with recreation development planning at that reservoir.

The Governor's Budget includes \$9,241,895 for development of recreation of the State Water Project which is almost equal to the development for the state park system. Estimates of annual development costs for the water project recreation facilities run from about \$11,000,000 to \$15,500,000 per year over the next four years. There is no assurance that the necessary General Fund financing will be available for all the work and there is a possibility that recreation facilities will not be available on the schedule required by the Davis-Dolwig requirement. Such a reduced schedule may be necessary to coordinate recreational development at the State Water Project with development of the state park system.

In addition to the costs of constructing the recreation facilities themselves, a major cost factor, which will become progressively greater, is the cost to construct access roads to the recreation areas located at State Water Project features. The reservoir development unit of the Department of Parks and Recreation has tabulated the costs of access roads that will be required to make the recreation areas at the State Water Project available to the public. According to this survey, 24 different access roads totaling 71.8 miles will be required over the next 20 years. The total estimated costs of these roads at present prices is about \$14,500,000. According to present law, the funding for these access roads will be a General Fund cost. The survey also points up the fact that as a result of the high access road costs, the development of some reservoirs for recreation purposes becomes marginal. For example, in addition to the construction costs of Abbey Bridge Reservoir, a strictly recreational facility, there would be required additional ex-

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penditures of about \$1,150,000 to build 12.4 miles of access road. Similarly, the costs of a new access road to Potter Ravine boating facilities needed in 1990 is estimated at \$2,500,000.

Roads and parking are a major factor in the development of other park system properties. According to the accelerated development program study of the Division of Beaches and Parks, 37 percent of the costs for facility development in a park unit and campground are related to roads and parking. With such a major portion of the costs for development of parks and access to water project recreation areas related to the automobile, the Legislature may wish to give consideration to the use of motor vehicle fuel taxes as a source of funding for access to the boundaries of a park or recreation area.

Administration of Grant Funds

The administration of state and federal grants performed by the Division of Recreation is a relatively new activity for the Department of Parks and Recreation. During the current year, two positions were administratively established to initiate the local grant portion of the Recreation Bond Act. The budget proposes continuation of these plus the addition of one more position to continue this function. These positions will be financed by the Recreation Bond Act.

The budget also proposes the addition of three new positions to provide staff review of all proposed state and local projects to be funded from the Federal Land and Water Conservation Fund. These positions will also review the conformity of the proposed projects to the California Outdoor Recreation Plan as well as other criteria established by the state and federal governments. These three positions will be financed with \$50,000 in Federal Land and Water Conservation funds, allocated by the Resources Agency Administrator.

The budget proposes the transfer of six planning positions from the Division of Recreation to the long-range planning unit in the director's office. Of the 9.7 authorized positions that will thus remain in the Division of Recreation, six will be reimbursed with funds from the Recreation Bond Act and three from the Federal Land and Water Conservation Fund. The administration of the two grant programs changes the work emphasis in the Division of Recreation from a staff planning function to the administration of grants.

Consistent with other recommendations made in this analysis, it is recommended that \$50,000 for administration of federal grant money and \$13,000 to account for federal grant expenditures be budgeted directly with the Department of Parks and Recreation rather than with the Resources Agency Administrator. These allocations of Federal Land and Water Conservation Fund money are appropriate expenditures of federal money to administer federal grants. The money should be budgeted directly with the action department the same as the budget provides for administrative costs of state grant money.

Operations Programs

The operations programs of the department include the management of the state park system, the administration of boating regulations per-

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formed by the Division of Small Craft Harbors, the administration of a concessions program, and the performance of archaeological surveys.

Attendance at 120 units of the state park system during 1964-65 was 32,775,805, a 4.5 percent increase over the prior year's attendance of 31,363,284. Revenues from concessions and service fees in 1964-65 totaled \$3,402,379, a 24 percent increase over the prior year's revenue of \$2,813,777. The marked increase in revenues results from one full year's operation under the new park system fees as established by the State Park Commission. Future revenues from fees and concessions are projected to increase but not at such a substantial rate. The revenue from fees and concessions in 1964-65 was 10.6 cents per park visitor in comparison to 9 cents the prior year, which included only six months under the increased fee schedule.

The largest increases in the department's budget are for staffing and related equipment purchases due to an increase in the number of facilities available at the various park units. Financing for 95.4 new positions in field services for the Division of Beaches and Parks is budgeted. These positions are added to man new facilities at 13 units of the state park system, to provide protective staff at 2 new units, to provide immediate public use at 20 park units, and to provide special workload and health and safety staff at 12 units. In addition, five positions are requested for the Hearst San Simeon State Historical Monument to conduct an evening tour schedule during the summer. The salaries for these 95.4 additional field positions total over \$500,000 the first year. Included in the above positions is staffing for five new units of the park system acquired under the 1964 Recreation Bond Act, Gold Bluff Beach at Prairie Creek Redwood State Park, Sugar Pine Point State Park at Lake Tahoe, Delta Meadows State Park, Point Mugu State Park in Ventura County, and the Whipple Mountain project on the Colorado River in San Bernardino County.

In October of 1965 the state park system had 5,892 campsites, 5,091 picnic sites and 18,263 parking spaces. The budget provides manning and operating expenses for 400 new camp units, 400 picnic units and 900 parking spaces according to current state park system standards. The immediate public use program which is budgeted for the first time next year will provide additional facilities consisting of 800 camp units and 300 picnic units on a temporary, minimum cost basis.

For the second successive year, the budget proposes financing of \$200,000 for water replenishment at Lake Elsinore. During the current year the Division of Beaches and Parks has purchased some water from the Metropolitan Water District and has engaged an engineering firm to test drill for well water. Preliminary indications are that some water may be available from wells drilled near the lake. The needs for water and its availability continue to be uncertain.

We recommend that the \$200,000 for water replenishment at Lake Elsinore be approved with the provision that the funds be made available by the Department of Finance only to obtain water from wells or by purchase for Lake Elsinore.

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At Angel Island, the Division of Beaches and Parks is engaged in an extensive cleanup and hazard reduction operation. At the present time the division has 11 positions in residence on the island to rehabilitate buildings and carry out fire-hazard reduction to make the island suitable for visitor use. The 11 positions are funded from capital outlay. The funds from capital outlay will expire in 1970 at which time the positions will be abolished. The use of capital outlay funds to establish support positions for force account work can lead to various abuses and should be undertaken only when absolutely necessary.

The division is requesting a new position to operate and maintain two boats at Angel Island which the division uses to provide access to the island for the staff and official visitors. The division is also requesting 0.5 seasonal park aid assistance to service additional picnic sites. Angel Island is one of the most beautiful units of the state park system. However, because it is an island, the state will have substantial future expenditures to develop and maintain this facility.

Squaw Valley Operations

Since the Olympic games were concluded in 1960, the Division of Beaches and Parks has had the basic responsibility to operate the publicly owned facilities in Squaw Valley. During the period following the Olympic games contracts with Messrs. Cushing and Newsom were negotiated to provide for concession-type operation of the public properties involved. The history of these contracts and their difficulties have been considered by the Legislature on previous occasions. We recently reviewed the problems of Squaw Valley with no specific concern for past problems but in an attempt to determine what the future role of the state in the area should be. Consideration of the future has become important because the operation has been costing the State of California approximately \$300,000 per year, an amount about equal to the concession revenue from the Park System, and may lead to much greater capital outlay costs in the future. Replacement of the compressor of Blythe arena and certain staffing changes now being made will reduce the operating costs somewhat, but they will remain high.

In general, substantial improvement has occurred in the physical appearance of the public facilities at Squaw Valley since the division took over. The buildings have been kept up adequately, lawns have been planted, curbing and parking have been added, and embellishments such as flagpoles and trees provided in appropriate areas. The overall appearance is generally satisfactory and represents a real improvement over past conditions which needed a covering mantle of snow to look presentable.

The basic problems of division of land ownership and poor contractual relationships with the state's concessionaires still remain. The nature of present land ownership patterns and contractual relationships can be expected to engender conflicts and disagreement indefinitely in the future. The principal parties, that is, the United States Forest Service, the Division of Beaches and Parks, and the concessionaires, lack a significant incentive to cooperate in the development and management of the area.

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The Division of Beaches and Parks provides no direct recreation service to the public at Squaw Valley. The costs incurred by the division principally provide services which are in the nature of a subsidy to private property owners of the area or else pay for the uneconomic portions of the operation of the Blythe arena and Olympic village by a concessionaire in order that he may realize a substantial profit. Thus, in part, the concessionaires and private property owners benefit from subsidized competition with other ski areas or lodging establishments.

The point cannot be too strongly emphasized that the public directly benefits little from the division's operations even though it stresses public safety and regulation of the activities of its concessionaires. In particular, state control, pursuant to a permit from the forest service, over the ski slopes operated by a concessionaire, is a source of continuing friction. This control extends over both state constructed and owned ski lifts now operated by a concessionaire under a state contract as well as over new ski lifts constructed by the concessionaire whether on his own land or forest service permitted lands. The efforts of the Division of Beaches and Parks to operate private investments at Squaw Valley as a state recreation area is troublesome and no observable benefit to the public ensues.

There is no incentive for cooperation between the division and its two concessionaires. Many of their operations are directly competitive and they seek advantage over each other through the division. In one case the contract with the state provides that any capital improvement made by the concessionaire automatically becomes the property of the state. This removes any incentive for him to improve the property he operates in a manner that the division feels is desirable.

Experience in the four years of operation since 1960 indicates that there is little chance for major improvement of Squaw Valley operations in the future as long as the present conditions remain. A coordinated management study for the development and fuller utilization of the area is urgently needed but has little prospect of being implemented under the existing circumstances.

1. It is recommended that the Division of Beaches and Parks should divest itself of all ski, chairlift and ski jump facilities. In general, this means sale to the present operator. This property probably has no greater value to the state than the present annual commissions over the operating life of the equipment and can be disposed of without loss to the state at such a price. There is no valid reason for the state to own ski tows. Actually, the skiing public generally thinks of the ski operations at Squaw Valley as private rather than a state operation. After disposing of its ski facilities, the state can then return its operating permit for certain ski slopes to the forest service and be free of ski operations.

2. It is recommended that the state dispose of certain interests. The interest of the forest service in the Blythe arena should be terminated by land exchange, federal legislation, or other means in order that the state may be free to develop the arena for its maximum public advan-

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tage. The advantage of state ownership may be slight but the present dual responsibility of the forest service and the state leads to friction, provides no advantage, and places a damper on imaginative management. Other state property such as the Nevada and California centers should be sold. They are now used for a theater and snack bars in a manner which represents no service by the Division of Beaches and Parks to the general public and does not require public ownership. In addition, the state might well investigate selling certain of the lands it holds in fee in order to simplify land ownership patterns and reduce conflicts. It is possible that the sale of this land and the Nevada and California centers will provide some funds which can be used for enclosing Blythe arena and making it more usable.

3. It is recommended that the state reduce its free fire protection service by approximately \$15,000 by eliminating two firemen positions. The division provides full-time fire protection, presumably for the state's property at a cost of about \$50,000 per year. A review of the fire calls answered during several past years indicates that the private homes in the surrounding Squaw Valley area receive the major benefit. The owners of these homes have declined to contribute to the cost of maintaining the fire department. It appears that the size of the fire department is excessive for the state's investment based on past fire experience and can be reduced to one man on duty. This reduction may encourage the private property owners to contribute to the cost of the fire department if they desire fire protection. The division should also be encouraged to increase its charges for water and sewage facilities in such a manner as to make these operations self-supporting. The division is now attempting to increase these charges.

4. It is recommended that the state not plan to improve or reconstruct the Olympic village dormitories as weather and use causes them to deteriorate. The division should plan to demolish these structures and to eliminate this operation which is directly competitive with other private enterprise in the area whenever the structures are no longer usable. It may be noted also that the division could simplify the annual painting of the Squaw Valley structures by eliminating some of the different colors used for painting individual panels and trim on the buildings.

5. Eventually when improvement in the physical structure of Blythe arena provides a basis for more use, the state should process an outside management study to develop ways and means for greater utilization of the Blythe arena. To the extent that the Olympic village is at that time still usable, this property should also be included in the study.

6. *It is recommended that no more campsites be constructed in Siberian Bowl.* The division has realized its role at Squaw Valley directly offers little service to the public. It has attempted to rectify this situation by constructing a few campsites in Siberian Bowl near Squaw Peak. Unfortunately campers must pay \$2.50 per person to use a gondola lift for access to the campsites. The construction of

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campsites does not solve the basic problems at Squaw Valley but only confuses the situation and should be discontinued.

7. *We recommend that the division not operate ski facilities.* In recommending that the Division of Beaches and Parks not operate ski facilities, we are aware that the division also is proposing to expand the Plumas-Eureka State Park near Graeagle to include skiing facilities. For a long time there has been a small ski area adjacent to Plumas-Eureka State Park which was developed by a local ski club. Last summer the facilities were extended by the addition of a poma-lift. At the present time, the lands being used for the ski lift and ski runs are on forest service lands located adjacent to the state park. The Division of Beaches and Parks hopes to exchange state lands with the forest service in order to include these ski facilities and ski slopes in the state park. This would be done pursuant to Assembly Bill No. 1515 of the last general session. We do not see why the state should become interested in ski operations and, particularly, assume jurisdiction over ski operations from the United States Forest Service. The forest service has had a long record of successful relations with the major ski resorts of California and the west which operate on Forest Service lands under forest service permits. State assumption of this responsibility has already resulted in adding a snow safety specialist at Squaw Valley and additional ski safety personnel have been proposed but not budgeted.

Small Craft Harbors Operations

The Division of Small Craft Harbors carries on a continuing boating registration program to provide for the identification of boat ownership for purposes of search and rescue, enforcement, and issuance of title. After the original registration, the small, undocumented vessels of the state are required to renew registration with the division only every three years. The current year is a registration year and 7.1 clerical positions for that purpose are limited to June 30, 1966. At the present time there are approximately 360,000 boats registered with the division. The number is expected to increase by 35,000 in the budget year. This increased workload together with additional workload stemming from 1965 legislation requiring the division to furnish hull numbers to applicants and to require proof of ownership before issuing certificates of ownership will necessitate three new clerical positions.

Legislation of the 1965 First Extraordinary Session requires the division to assist the Board of Equalization in administering sales tax collection on the occasional sales of small craft. To handle this workload, 10.1 positions were established during the current year and are proposed for continued funding in the budget year. The Board of Equalization is reimbursing the division \$89,000 in the current year and \$78,000 in the budget year.

The Division of Small Craft Harbors also carries out marine safety programs including the development of a uniform state system of waterway markers, the collection of reports regarding accidents, the regu-

Department of Parks and Recreation—Continued

lation of operators of "for hire" vessels which carry passengers and the dissemination of safety education material.

Concessions

Section 5003 of the Public Resources Code authorized the Department of Parks and Recreation to establish concession services at units of the state park system. Concessionaires are selected by a bid process administered by the department through its concessions office in the Sacramento headquarters. Presently there are about 100 concessions contracts within the park system. The size of the concessions ranges from small refreshment stands to the complex concessionaire-operated facilities at Squaw Valley. Gross receipts to concessionaires amounted to \$3.8 million in 1964 and the concession revenue to the state is estimated at \$493,000 in the budget year.

With the acquisition of new park units and the need for development of these and existing park units, the division is placing increasing emphasis on the use of private financing for the development of recreational facilities. The budget proposes 4.5 additional positions for the concessions office including three additional assistant concessions specialists. At the present time the staff consists of the concessions officer with one assistant and clerical assistance. The concessions officer spends most of his time on the concession operations at Squaw Valley. The division needs to provide improved liaison between the concessions office and the planning and development section of the Division of Beaches and Parks to secure appropriate utilization of private enterprise development at certain state park units.

We recommend that the new positions for the concessions office be approved provided that at least one assistant concession specialist is assigned specifically to liaison with the division's planning units for development of park facilities with private funds.

The Public Resources Code was amended in 1965 to authorize the department to conduct archaeological surveys on the request of state agencies engaged in public works projects. The purpose is to preserve archaeological and historical features which may be located on state-owned property. The Division of Beaches and Parks proposes two new professional positions with 3.1 positions of temporary help to carry on the activities in the budget year. Most of the required financing will be reimbursed by the Department of Water Resources and the Division of Highways. The budget for the Division of Beaches and Parks contains an item of \$3,000 to finance these surveys on lands owned and acquired by the Department of Parks and Recreation.

With the exceptions noted above, we recommend approval of the department's proposals as budgeted. Final disposition of unresolved questions on staffing needs at Point Mugu, Delta Meadows, Sugar Pine Point and Whipple Mountains should be made at the time of budget hearings.

DEPARTMENT OF WATER RESOURCES

ITEM 273 of the Budget Bill

Budget page 893

FOR SUPPORT OF THE DEPARTMENT OF WATER
RESOURCES FROM THE GENERAL FUND

Amount requested	\$10,959,489
Estimated to be expended in 1965-66 fiscal year	11,119,888
Decrease (1.4 percent)	\$160,399
TOTAL RECOMMENDED REDUCTION	\$273,392

Summary of Recommended Reductions

	Amount	Budget	
		Page	Line
Reduce Coordinated Statewide Planning	\$100,000	901	51
Reduce Western States Water Planning	85,000	901	57
Development (General Fund)	39,000	901	65
Eliminate Watermaster Service Overhead	49,392	908	81

Other Recommendations

	Analysis page
Limitations on additional accounting positions	777
Recommendation on integrated San Francisco Bay studies	787
Revisions in geologic and earthquake hazards studies and engineering	782

GENERAL PROGRAM STATEMENT

The Department of Water Resources is responsible for the planning, design, construction, and operation of the State Water Project. It also carries on an extensive water resources planning and investigation program, collects data pertaining to water resources development and use, administers a variety of statutory functions related to water, and allocates local assistance funds for flood control, watershed protection and beach erosion control.

The department continues substantially the same programs as in past years. Many of the programs are budgeted at much higher levels for next fiscal year, however, because of the increasing tempo in construction of the State Water Project. Comparative expenditures are shown below:

	1964-65	1965-66	1966-67
Total expenditures	\$176,973,231	\$305,414,651	\$355,004,700
State Water Project expenditures	166,427,719	294,294,763	344,090,553
Support budget	10,545,512	11,119,888	70,959,489

The above table shows that there is a slight reduction in the support programs. General Fund expenditures are \$160,399 less than in the current year. A total of 1,271 new positions are budgeted, giving a budgeted strength of 5,145 positions. Most of these positions are for design of the State Water Project in southern California, construction supervision in the San Joaquin Valley and southern California, and for operations and maintenance personnel at San Luis and at the Delta Pumping Plant.

Department of Water Resources—Continued
ANALYSIS AND RECOMMENDATIONS

The funding for the department's fiscal year 1966-67 Budget is built on the pattern of previous years. The General Fund supports all collection of basic data, various long-range investigations and gathering of information, project planning not related to the State Water Project, flood control operations and maintenance, and certain statutory and regulatory functions. The California Water Fund now finances most Davis-Grunsky Act loans and grants up to the \$10,387,000 available and water bond proceeds finance the remaining loans and grants to the extent of \$6,731,000. Water bond proceeds from the Water Resources Development Bond Fund finance the right-of-way acquisition, design, construction and other costs of the State Water Project, amounting to \$134,322,300 and Central Valley Project revenue bonds finance \$198,343,411. The revenue account of the Water Resources Development Bond Fund will finance the operation and maintenance of completed portions of the State Water Project which will be in operation.

Consistent with the practice of the last three years, the Governor's Budget proposes to transfer all California Water Fund balances in excess of approximately \$11,000,000 to the General Fund. Prior transfers to the General Fund and estimated transfers are shown in the table below:

Section 3.5, Budget Act of 1963 (actual)-----	\$20,000,000
Transfer in fiscal year 1963-64 (actual)-----	35,546,954
Transfer in fiscal year 1964-65 (actual)-----	40,644,823
Transfer in fiscal year 1965-66 (estimated)-----	36,562,639
Transfer in fiscal year 1966-67 (estimated)-----	36,613,211
Total -----	\$169,367,627

The department has been conducting regular sales of water bonds. The last sale brought an interest rate of 3.72 percent. The department has recently reduced the project interest rate from 4 percent to an assumed rate of 3.70 percent based on rates for past sales and estimated future rates. A total of \$450,000,000 in water bonds have been sold to date. The scheduled sale of water bonds during fiscal year 1965-66 will be \$200,000,000 and \$100,000,000 in fiscal year 1967-68.

The Governor's Budget shows the issuance of \$230,000,000 in Central Valley Project revenue bonds during fiscal year 1966-67 based on the recent proposal of the power pool utilities to purchase Oroville power. The department is proceeding with the negotiation of a contract for the sale of this power to the utilities and it is likely that revenue bonds can be issued in the next fiscal year. Fiscal years 1966-67 and 1967-68 will be peak years for project bond sales which, when added to other state bond sales, will create a serious marketing problem. Marketing will be especially difficult if the state has a General Fund revenue deficiency.

The balances in the Central Valley Project construction funds consisting of payments received from the federal government in reimbursement for flood control facilities of the State Water Project, reve-

Department of Water Resources—Continued

nue bond proceeds, construction advances from water service contractors, and other sources, will increase to \$262,900,000 during next fiscal year. An estimated \$8,250,000 will be used to pay interest on water bonds previously issued. This payment is in line with the department's decision to use federal flood control contributions to pay interest on water bonds when there is a deficiency in project revenues during construction. The sum of \$2,542,000 will be transferred to the General Fund from revenue bond proceeds to repay prior year appropriations as provided in the Central Valley Project Act.

Departmental Budget Structure

The fiscal year 1966-67 budget of the Department of Water Resources is presented on a program basis. The more traditional organizational budget is printed starting on page 928 of the Governor's Budget. Although other departments have prepared information budgets on a program basis for next fiscal year, the Department of Water Resources is the only department presenting its official budget on a program basis. Item 273 is, therefore, constructed on a program basis rather than on an organization or line item basis.

In past years the Budget Bill has contained both a budget item which appropriated the support budget for the department on a program basis as well as a reappropriation of the support money on a line item basis by means of a second budget item. The reappropriation also included the state operations portions of the department's capital outlay budget. In other words, the salaries, operating expenses, and equipment costs for construction of the State Water Project, as financed by the Burns-Porter Act, appeared in the Budget Bill even though the funding was provided by continuing appropriations in the Burns-Porter Act. This line item reappropriation was included in the Budget Bill for administrative reasons and the convenience of the Department of Finance rather than for the appropriation authority it provided. Two years ago the Governor blue-lined the entire item rather than accept limiting language inserted by the Legislature to guide the administration in determining whether to construct certain power facilities. On other occasions the Governor has, by blue-line action or official statements, indicated his unwillingness to permit this appropriation item to be used by the Legislature for legislative budget control purposes.

As a result of the foregoing conditions, the line item appropriation provided no legislative appropriation control. Meanwhile, a serious disadvantage had arisen. In a recent report reviewing the accounting system of the Department of Water Resources, the Auditor General commented on the complexities of the department's accounting procedures. One of the reasons for the complex accounting structure is the need to account for certain expenditures on the basis of two Budget Bill appropriations, one on a program basis and the other on a line item basis.

In order to simplify the accounting structure of the department, the Department of Finance has not included the line item appropriation in the Budget Bill for 1966. The Budget Bill now contains only the

Department of Water Resources—Continued

support appropriation from the General Fund. We concur in this action in view of the fact that the administration has been unwilling to accept legislative guidance on the department's expenditures for the State Water Project. If a Budget Bill item is to serve only informational purposes, the same information is presented in greater detail and more clearly in the Governor's Budget document itself.

There are numerous instances now and in the past where the Department of Finance has inserted items in the Budget Bill in order to secure an appropriation or legislative approval of a program even though statutory continuing appropriation authority was available for the expenditure of the funds involved. In these instances the budget item serves a purpose because the item acts as a limitation on the continuing appropriation. In the case of the Department of Water Resources, where this does not apply, there appears to be no disadvantage in deleting the meaningless appropriation and considerable advantage in improving the department's accounting processes.

As in past years, our analysis of the Department of Water Resources budget includes brief consideration of all departmental programs but major attention is focused on the support of General Fund activities.

Departmental Reorganization

Last year the department advised the Legislature of its intention to reorganize certain activities. During the past spring and summer, the former Division of Resources Planning was transformed into a state-wide planning office and placed under the supervision of the assistant chief engineer who is responsible for supervision of the department's districts and area branches. A similar change was made with respect to the Operations Division. As a result, most of the authority over programs involving planning, operations, data collection, and certain miscellaneous functions of the district offices and area branches was placed under the assistant chief engineer for area management. This provided a greatly improved ability to secure decisions involving problems in resources planning and operations when the central office and the district offices or area branches had divergent views, but it leaves the districts without adequate status and located under many levels of supervision.

At the same time that the department made the above changes, it also established a new position of assistant chief engineer for services and management. Under this new position were placed certain planning functions and the responsibility for State Water Project contract administration which tended to weaken the clear lines of authority which otherwise would have been established by the changes noted in the paragraph above. The new services and management organization is intended to be a general staff arm which functions on a department-wide basis to provide technical management advice and various technical services. Other less significant changes were also made.

During last summer, the department completed its long-sought objective of establishing five district offices which are geographically decentralized. Pursuant to a Senate resolution, the department established an office in Vallejo to serve the San Francisco Bay area.

Department of Water Resources—Continued

Following a hearing by the Senate Factfinding Committee on Water Resources, after which the committee raised no major objections to the move, the department established an office at Red Bluff to supervise work in northern California. Finally, the central portion of California was included in a district with a new headquarters location in Sacramento. These moves provide the department with five district headquarters located in Los Angeles, Fresno, Vallejo, Sacramento and Red Bluff, to supervise and conduct all planning, operations, data collection, public relations, and certain miscellaneous functions.

At the time the department proposed to establish a district office in Red Bluff, there was major employee opposition to the move. At this date only a portion of the transfer to Red Bluff has been completed and it is not known what the consequences of employee dissatisfaction with the move may be.

Program Format

In preparing its budget for next year, a new program format has been developed and adopted for the support budget. In simple terms the Basic Data Collection, General Investigations and Project Planning program categories were regrouped into two new categories entitled Water Development Planning and Water Development Implementation.

The new program format appears to have been intended to present the department's planning work, and particularly the Coordinated Statewide Planning work, in a more favorable context. This intent has been achieved but other departmental work is not presented as lucidly or logically as a result.

The basic data collection work has been subordinated in stature to planning whereas it actually serves much other departmental work and provides valuable information for use outside the department. The term "Water Development Implementation" conveys little meaning and overlooks the fact that most work in water development by the department is done under other programs for design and construction of the State Water Project. Similarly, it does not reflect the regulatory functions of the department which it purports to describe. Finally, the term "implementation" does not produce a clear differentiation from the department's operations' work which is in still another program category.

These comments are presented here to indicate our belief that the department has not achieved one of its objectives in making the change in program format, that is, to present a clearer picture of the department's budget to the Legislature. We are making these comments for the record and not because the new budget format creates any insurmountable problems.

Water Service Contractors' Objections to Certain Project Charges

In recent years our review of the department's budget has noted various investigations which were being charged to the water service contractors of the state water project or to the General Fund in a manner which appeared to be either improper or illegal. We commented on several of these expenditures and the department has made

Department of Water Resources—Continued

changes in certain instances. However, the auditors for the water service contractors have recently extended their work to cover not only past expenditures but the current and budget year estimated expenditures for construction of the state water project. Their objective is to assure that the water service contractors repay no costs which are not proper and fully substantiated by departmental records.

The water service contractors have reviewed the fiscal year 1966-67 budget of the department and have advised the Director of Finance through numerous letters and resolutions of protest that they disagree with a considerable number of proposed project expenditures contained in the department's budget for next fiscal year. The water service contractors requested that the department's budget be revised to provide for General Fund rather than Burns-Porter Act financing of the proposed work because they believe the work is not a proper project cost. The Governor's Budget as prepared does not include most of the suggested revisions.

Although we have in the past commented on several investigations which we felt were improperly budgeted, it has not been our purpose to become involved in any differences of opinion between the department and the water service contractors. It has been our purpose to advise the Legislature of any problems we found in the department's budget and, specifically, to review the department's budget to assure that no project costs were improperly charged to the General Fund. We have done this because it is obvious that changing the financing for a given program from the Burns-Porter Act to the General Fund would require additional General Fund expenditures, or curtailment or the elimination of the program itself.

Proposed expenditures which may be found to be improper charges to the state water project should not automatically be transferred to the General Fund but should be reviewed critically to determine whether the work should be done at all as either a project or a General Fund cost. We have noted in the past that General Fund expenditures are reviewed and controlled more closely than project expenditures under the Burns-Porter Act because the latter do not receive the same degree of attention in the administration as General Fund expenditures and they are not approved in any respect by the Legislature. We believe that several investigations now being charged to the state water project are budgeted at higher levels than would occur if these same investigations were charged to the General Fund. Some of these expenditures such as the San Joaquin Valley Drainage Investigation and planning for the Delta Water Project we have noted in the past.

The increase in the project oriented work not classified as design, construction or operations may be judged from the following total of these expenditures by fiscal year:

<i>Fiscal year</i>	<i>Amount</i>
1964-65	\$3,511,966
1965-66	4,623,142
1966-67	5,627,688

Department of Water Resources—Continued

Listed below are the programs for fiscal year 1966-67 to which the water service contractors have objected. We have added our comments on each investigation as appears appropriate for our budgetary review.

Geologic and Earthquake Hazard Studies and Engineering. Our analysis of the several investigations included in this work will be found in other sections of this analysis along with pertinent recommendations.

Federal-State Cooperative Sedimentation Data Collection. The department is collecting in cooperation with the U.S. Geological Survey basic data on the transport of sediment in the rivers and streams of the state. The water service contractors have objected to the inclusion of a small portion of the costs for this program in the charges to the State Water Project. The Governor's Budget did not include the project expenditures which were the basis for the contractors' objections.

The department's program statement indicates that this program is strictly financial and that the work is performed by the United States Geological Survey. The program statement adds, "Coordination of this program by the department's sedimentation staff specialist, use of data from this program by department personnel, and collection of other evidence or measures of sedimentation by department personnel, are not part of this program." In view of this statement we concur with the water service contractors that this is a basic data program and is presently properly charged to the General Fund.

It has been understood in the past that data needed for any specific purpose would not be budgeted in a basic data collection program. Therefore, any sedimentation data not available through the basic data collection program which may be needed for any investigation or state water facility design work, should be budgeted in the program which requires the data and not budgeted under a basic data program.

Advance Techniques for Water Resources Development. See analysis and recommendations on this program found in later sections of this analysis.

Planning for Water Quality Management. This investigation has the general objective of gathering and analyzing data to determine optimum water quality requirements and anticipated water quality conditions under future State Water Project operation plans. This program was deleted by the Legislature last session on the basis that the state and regional water quality control boards are established to protect the quality of waters in the state for all purposes. The program has not been reinstated for next fiscal year.

Sacramento Valley Seepage Investigation and Lower Sacramento Valley Seepage Monitoring. In past years this analysis has raised strong objections to the Sacramento Valley Seepage Investigation and to the method of charging the State Water Project and the General Fund for the work. The problems we have pointed out in the past remain unresolved. However, the investigation is terminating and future budgets contain only minor funds to continue seepage observations during future years. As in the past, one-third of the expenditure is proposed to be financed from the General Fund and two-thirds from

Department of Water Resources—Continued

project funds. Only \$10,000 to be so distributed is budgeted for next fiscal year.

The lower Sacramento Valley seepage monitoring program is a new program intended to measure seepage along the Feather and Sacramento Rivers from Yuba City to the Peripheral Canal in the delta. Ten thousand dollars is budgeted for this purpose next fiscal year from project funds. The investigation is to collect data on seepage conditions which may be attributable to the operation of the State Water Project and which may result in damage claims against the state and the project. As we have noted in past years, the main stem of the Sacramento River is equally if not more influenced by the operations of the federal Central Valley Project than the State Water Project. Therefore, the monitoring program should properly be conducted jointly with the United States Bureau of Reclamation. It should be noted that the department's preliminary report on the above Sacramento Valley seepage investigation was scheduled to be issued in 1965. This date has not been met and as a result it is difficult to evaluate these two seepage programs without benefit of the background and information contained in the report.

Advanced Planning in the Upper Eel River, Feather River and Delta Areas. As noted in prior year analyses, we view these costs as proper charges to the State Water Project and concur in their budgeting. The water service contracts and the provisions of the Burns-Porter Act govern the propriety of these charges rather than customary water resources development procedures and the more logical approaches of standard accounting practices. While we concur with the funding of this work because it is on authorized features of the State Water Project, we would observe that the amounts budgeted are large and continue to increase each fiscal year over a continually extending period of time as the department finds more problems it wishes to investigate.

The incongruity of the present policies in charging advanced planning on authorized features of the State Water Project to the project is emphasized by the fact that after planning work on projects in the Upper Eel River area is completed, it may be decided a federal project will be constructed exclusive of the State Water Project. If this should occur, we are not aware how the costs for the state's planning work could then be charged to the State Water Project. Of course, the prospect of such federal construction of any of these projects is uncertain at this time. In contrast, the department's reconnaissance investigation entitled "Delta Offstream Storage" is studying the possibility of constructing another large storage project similar to San Luis and located near Los Banos. This work is charged to the General Fund because no authorized project is involved. However, because of its geographical location, it is virtually impossible to construct a project at this site which will not directly and exclusively serve the state's customers along the California aqueduct to the south of San Luis.

Visitor Facilities Planning. This program covers the planning costs for visitor facilities at various features of the State Water Project. In

Department of Water Resources—Continued

general, the department has determined that the costs of accommodating the public which wishes to view a project during construction are project construction costs and will be so charged during the period of project construction. After construction is completed, the visitor facilities which are not an integral part of a project operating structure will no longer be charged as project costs but will become General Fund costs along with other project recreation costs. Although there are various ways of approaching this problem, the present policies of the department appear reasonable. These comments refer only to the allocation of costs. In our review of capital outlay projects, we recommend against funds to construct the Oroville Visitor Center.

Delta and Suisun Bay Pollution Investigation. In the past we have questioned the distribution of costs between the General Fund and project construction funds for this investigation. Work on the investigation is being completed during the current fiscal year and no funds are budgeted for next fiscal year. We are not aware of any objective basis for determining the distribution of these costs. Review of the department's report on this investigation which will soon be published may provide a better basis for distributing these costs between the General Fund and the State Water Project.

Although not mentioned in the protests of the water service contractors, a new investigation entitled "Investigation of Drainage Disposal to San Francisco Bay" was begun during the current fiscal year with a budget of \$72,000 and a projected budget of \$104,000 during the next fiscal year. This investigation is to finance project oriented work which may be required or related to other studies of the San Francisco Bay such as the waste management study under AB 2380. It is not clear how this money will be expended and the relationship of such expenditures to the State Water Project appears uncertain.

In addition, our review of the department's budget indicates that the program entitled "Water Rights for State Water Facilities" has been continuing for many years, originally as a General Fund activity but more recently as a project charge. This work is undoubtedly a project cost but the nature of parts of the work being done and the long period of time it has been underway suggests that expenditures have considerably exceeded the results achieved to date.

Fish and wildlife studies of the delta are being conducted by the Department of Fish and Game under contract to the Department of Water Resources. This investigation is entitled "Delta Fish and Wildlife Protection Study." The investigation is charged entirely to the State Water Project. Its purpose is to preserve existing fish and wildlife resources in the delta and to enhance them through the construction of the Peripheral Canal. Work performed by the Department of Fish and Game in this investigation has been of major significance in resolving delta problems. However, the work is placing increasing emphasis on enhancement studies and on studies of future operation of the delta after the construction of the Peripheral Canal. The operating costs of enhancement features of water projects such as fish stocking and fisheries management studies have generally been funded from the

Department of Water Resources—Continued

Fish and Wildlife Preservation Fund. The Delta Fish and Wildlife Protection Study should be reviewed next year to determine the appropriateness of partial funding from the Fish and Wildlife Preservation Fund for any operational costs related to enhancement features.

General Management

The general management program category covers the overhead costs of the department. In general, these costs are not directly related to any specific activity or programs but are funded by a series of charges to each workorder based on the salaries and wages expenditures charged to the workorder. This provides a pool of funds which is used to pay the department's overhead or general management costs. Included in the general management category are costs of the director's office and associated staffs as well as departmental administrative costs. For next fiscal year the sum of \$4,441,186 is budgeted which is an increase of \$564,358 over the current year. Most of this increase is directly related to workload increases in graphic services, supply functions, personnel, accounting, and program control. These are workload increases resulting from the increased number of departmental personnel and the higher level of construction and operation and maintenance expenditures on the State Water Project next fiscal year.

Accounting Problems

The department's budget requests an increase of \$100,000 next fiscal year to add 12 new positions in the Accounting Office and 6 new positions in the Utility Accounting Office. The latter office accounts for construction expenditures on the State Water Project and its records are the basis for billing the repayment of project costs to water service contractors.

In August 1965 the Auditor General reported on a survey of the department's accounting system. The report outlined the need for major improvements in the accounting system and, in particular, emphasized the need for more attention to accounting systems work in the department. The complexity of the system was particularly noted and the problems of adjustment and reconciliations were treated in some detail. As a result of the Auditor General's report, a task force has been organized by the department to review and improve the accounting system. The task force will include assistance from the control agencies of state government. There will be a separate contract for outside consultant services.

Under date of November 19, 1965, the accounting firm of Arthur Young and Company reported to the water service contractors on its review of the statement of charges made by the Department of Water Resources for payment by the water service contractors. This report endorsed the findings of the Auditor General and added several comments including a recommendation that mechanization of the utility accounting function be expedited.

In the preparation of the budget for next fiscal year, the Department of Finance has recognized that one of the factors which complicates accounting in the Department of Water Resources is the use in

Department of Water Resources—Continued

recent years of both line-item and program appropriation items for the department in the Budget Bill. Therefore, it is eliminating the line-item appropriation and will control the department's budget on a program basis. This change should simplify the accounting problems of the department and permit the existing staff to do a better job.

The construction of the State Water Project is progressing at an increasing tempo. Simultaneously, various operations and maintenance charges are now beginning to be made and will increase rapidly in the next few years. The result will be major accounting problems if an adequate accounting system is not now established for the State Water Project.

Good accounting is not only desirable but is essential in the repayment structure of the State Water Project since all contractors are committed to repay their share of project costs on the basis of the extraordinarily complex and detailed rate provisions of their contracts with the department. The importance of adequate cost records to the contractors is evidenced by their willingness to engage auditors to review the department's expenditures and cost records in detail and to challenge those which appear improper.

It is evident that the department's accounting system needs improvement. The nature of these improvements cannot be determined at this time and, therefore, the specific staffing to provide these improvements, considering offsetting or compensating workload variations, is not known.

It is recommended that the Legislature approve the \$100,000 increase requested by the department for the accounting function with the provision that the Department of Finance release the additional money only after determining that the new positions are consistent with the findings and conclusions of the task force and the accounting consultants.

It is also recommended that the Department of Finance report to the Joint Legislative Budget Committee and the Joint Legislative Audit Committee in memorandum form by the end of this calendar year on the specific expenditures approved and the reasons for approving these expenditures.

It is further recommended that the Joint Legislative Audit Committee and the Auditor General continue to survey the accounting problems of the Department of Water Resources and provide the Legislature with a memorandum report in December on the progress made during the current calendar year.

Water Development Planning

The Water Development Planning category includes most of the investigations which were in the General Investigations and Project Planning categories in prior year budgets. Included within this category now are all the planning studies of the department, both short- and long-term planning investigations on water resources matters, and the collection of basic data such as stream gauging, water quality and climatologic data needed for water resources activities.

Department of Water Resources—Continued

Due to the revision in program format it is not possible to state precisely the relationship in dollars between the budget year and the current year. The individual programs budgeted from the General Fund continue at approximately the same level as the current year and in some instances at lower levels because of the termination of several investigations. Total expenditures for the category are \$8,545,060 consisting of \$6,381,579 in General Fund money and \$2,163,481 in project funds devoted to planning purposes.

Coordinated Statewide Planning

The program for Coordinated Statewide Planning is the core of the department's long-range planning activity. In prior years this analysis has commented critically on several features of the work and recommended certain reductions in the program which were made by the Legislature. The Governor's Budget shows the Coordinated Statewide Planning Program budgeted at a reduced amount during the current year compared to fiscal year 1964-65 with a further reduction budgeted for next year. However, if the Water Resources and Requirements Survey is added to Coordinated Statewide Planning for the budget year, which is the way it was budgeted in prior years, it is apparent that the program level is budgeted approximately \$100,000 higher than the current year and slightly higher than fiscal year 1964-65. The budget year estimate is \$868,657 for Coordinated Statewide Planning and \$198,018 for Water Resources and Requirements Survey.

Last year we recommended against any increases in this program until the department had produced a planning report which would show the accomplishments attributable to the high level of prior year expenditures for this program and permit evaluating the justifiable extent of data collection.

The department has accepted the legislative criticisms of this program and has made major efforts to produce a useful planning report in time for review by the Legislature this session. It does not appear, however, that this schedule can be met. The department has, as an alternative, briefed this office on the work it has done in the preparation of the proposed planning report. Based on the limited information currently available, we believe the department will produce a valuable and useful planning document which will shed much light on the future of California's water resources development.

The department agrees that upon review of the forthcoming report, the entire data collection program related to it should be evaluated and standards established for the frequency and extent of data to be collected.

Meanwhile, the evidence still indicates that the extent of data collection and analysis is considerably beyond that justified by the end results which can be produced or are needed. This means that the Coordinated Statewide Planning Program may be found to be overbudgeted when its first published results are evaluated. It is not possible at this time, however, to determine on a reasonable program basis the extent of any overbudgeting. It, therefore, appears justifiable

Department of Water Resources—Continued

to remove the requested increase of \$100,000 from the Coordinated Statewide Planning Program and the Water Resources and Requirements Survey Program in order to maintain the work at present levels.

The department is currently surveying the Coordinated Statewide Planning Program to determine what realignment of work in the San Francisco Bay area could be made in order to contribute to the work of both the San Francisco Conservation and Development Commission and the work of the State Water Quality Control Board on the Bay-Delta Waste Disposal Investigation pursuant to AB 2380. When additional information is available on the requirements of these two programs, supplemental recommendations pertaining to the budget for Coordinated Statewide Planning may be made.

Pending further analysis of the San Francisco Bay studies, it is recommended that the Coordinated Statewide Planning function be retained at its current year level and that \$100,000 being requested for an increase in this work be removed from the budget.

Planned Utilization of Ground Water Basins

The major group of studies involving ground water are entitled "Planned Utilization of Ground Water Basins in Southern California," budgeted at \$593,487 next fiscal year. The southern California basins include the coastal basin of Los Angeles County, the San Gabriel Basin, the Chino Basin, the Riverside Basin, and the upper Santa Ana or Bunker Hill Basin near San Bernardino. In addition, work is being completed in the south San Francisco Bay area. The purpose of these ground water investigations is to establish (1) the geology of the basin, (2) the hydrology of the basin, and (3) the factors delineating the most economic pattern for operation of the basin when considering all factors of supply, demand and transportation of the water. An additional study in the Orange County area has been budgeted separately to include only geologic investigation.

This analysis has commented in past years on the fact that the final report on the Los Angeles coastal plain study has not been released by the department and is several years overdue. The absence of this bulletin makes it difficult to evaluate the accomplishments of the program in the only area where the study is virtually completed. These planned utilization studies are complex and have involved substantial experimentation, development of new techniques, and solving of unexpected problems with the result that the report has been repeatedly delayed.

Recently, at a hearing of the Assembly Interim Committee on Water, Orange County water interests suggested that the department refrain from recommending methods for the management of local ground water basins. Present indications are that the department has been very sensitive in southern California to the problems created by its work with respect to local management of ground water basins. The results of these studies are being presented in nomographic form so that the variables in ground water management are presented graphically in relationship to one another in order that the local agencies may choose their own bases for maximizing basin management. In this way the

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department does not attempt to prejudge how a basin should be managed but presents the information in the form of alternatives which permit local decisions on how it will be managed.

At the same hearing of the Assembly Interim Committee on Water, the San Bernardino water interests requested that the department expedite its planned utilization of ground water basin studies in order to make results in the San Bernardino area available prior to the importation of state water in 1972. Orange County is financing part of the ground water basin study in its area and is securing the cooperation of other agencies such as the United States Geological Survey in order to expedite its work. The department is exploring with San Bernardino water interests the possibility of local participation similar to Orange County in order to expedite the work in the San Bernardino area. Such local participation would not only expedite the work but would be consistent with the recommendation in our analysis last year that local agencies share in the cost of ground water basin studies.

After reviewing the status of the planned utilization of ground water basin investigation in southern California, it is our conclusion that, irrespective of earlier delays and attitudes, the department is attempting to expedite the work, is sensitive to local apprehension about the results of its studies, and will accept local participation in the studies even to the extent of encouraging local execution of the operational and management studies.

Pending the outcome of negotiations with Orange County and San Bernardino water interests, we recommend approval of the budget for the Planned Utilization of Ground Water Basins Studies.

Western States Water Planning

The Western States Water Planning activity finances the work by the Department of Water Resources in the coordination of statewide and regional water resources planning. Included in this activity is anticipated staff work for the advisory committee established by AB 2087 last session, support work for the state's representation on the Western States Water Council, negotiation and drafting of federal legislation to authorize Colorado River projects, monitoring developments in the planning for importation of Pacific Northwest water, and related matters.

The 1965 Budget Act included \$250,000 which the Legislature designated "unallocated" in subitem (h) of Item 257 for support of the Department of Water Resources. This money was to be used by the department for high priority work on interstate water planning and work related to the waste water study of the San Francisco Bay and the delta which was not identifiable at the time of budget hearings. Limiting language in the item provided that expenditure of any portion of the \$250,000 could be made only with the approval of the Joint Legislative Budget Committee.

Upon request of the Director of Finance, the Joint Legislative Budget Committee approved in September 1965 the expenditure of

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\$67,000 of the unallocated money by the Department of Water Resources to establish four positions plus operating costs and overhead for a nine months period during the current fiscal year. This authorization was a reduction of the department's original request but provided for the necessary work which could be identified at that time to permit California to play a positive role in western water problems. Funds were not included to permit the department to initiate action on its own or to attempt studies in anticipation of interstate or federal developments.

The Governor's Budget for fiscal year 1966-67 requests \$195,000 to continue this activity. The full year's cost of the four positions authorized last fall plus operating expenses, overhead costs, and \$14,000 for the state's dues in the Western States Water Council would total \$110,000. There is no information at this time to indicate that a higher level is needed or desirable now or during next fiscal year.

It is recommended that \$110,000 be approved for continuation of Western States Water Planning on the basis that present staffing and funding is adequate for the work now foreseen. It is therefore recommended that \$85,000 be removed from the budget in order to continue the activity at its present level.

Geologic and Earthquake Hazard Studies and Engineering

When the Department of Water Resources several years ago began design of the State Water Project, it was confronted with numerous difficult design problems because the aqueduct parallels the San Andreas Fault and eventually crosses it in the Tehachapi Mountains. The department had an urgent need for extensive earthquake and geologic hazards data for use in designing the aqueduct and pumping plants to be located along the San Andreas Fault. Furthermore, the best and most economical designs of major features of the State Water Project required additional geologic data which was not available from the customary sources. As a result of advice from a panel of the foremost experts available, the department undertook to collect certain needed data.

During the last few years the collection of earthquake and geologic hazards data for the State Water Project has proceeded. Various installation of seismographs, geodimeter networks, tiltmeters, and other instruments have been made. Data has been collected and partially analyzed. Although this work originally was budgeted as a General Fund activity, it was eventually shifted to State Water Project funds and for several years has been financed entirely from that source. The department's budget contains the following programs for fiscal year 1966-67 from State Water Project funds:

Earthquake data collection -----	\$372,976
Earthquake data analysis -----	185,065
Land subsidence studies -----	170,319
Earthquake hazard and engineering criteria -----	157,471
	<hr/>
	\$885,831

Department of Water Resources—Continued

As a result of a review by this office in past years, the Legislature's attention has been drawn to instances in which this work did not have direct relationship to authorized expenditures for the State Water Project under the Burns-Porter Act. The department has corrected these matters and has attempted to fit the work into funding available under the Burns-Porter Act. Last year, we reviewed this work and advised the Legislature that we found it within the liberal interpretation being given to authorized Burns-Porter Act expenditures. We recognized, however, that the collection of data for design of the State Water Project could not be justified indefinitely as a project cost after the design of the project is completed. We are now advised by the department that after the next 12 to 18 months have passed any geologic information gathered under this program could not be incorporated in original project designs but would require changes in design during construction if included.

The contractors who purchase water from the State Water Project have objected to the inclusion of costs for these earthquake and geologic hazards programs as a part of water project costs which will eventually be repaid by them. We concur with the objections of the water contractors to the extent that certain future expenditures for this work have diminishing justification as a project cost now that design of major features is being concluded. The department's budget for the next fiscal year places considerable emphasis on the need to continue this work in order to secure data for project operation and maintenance purposes. We do not find that this is a valid justification to continue certain features of the work because little can be done after construction is completed. Certain proposed work such as review of geologic hazards of Davis-Grunsky Act projects is not a departmental responsibility because the projects are local rather than state projects.

The department originally undertook the earthquake and geologic hazards work in order to supply a deficiency of design data. Although no major earthquakes have occurred to date since the department undertook the work, this does not diminish the original validity of the department's effort to secure needed data. It should be recognized that the department has initiated a dynamic program which has placed it and the State of California in the forefront of earthquake and geologic hazard investigation work. Since California and Alaska are the two most important centers of earthquake occurrence in the United States, this is a development of major significance to California.

Viewed in the long term, the needs for earthquake and geologic hazards information in California fall into two categories. First, the responsibility that every construction agency, either public or private, has for the proper design and instrumentation of major structures whose failure may result in loss of the facility or may imperil property and lives. The department is actually only a customer for basic earthquake and geologic hazard information much the same as the Division of Highways, the Office of Architecture and Construction,

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local units of government, contractors, structural engineers, and others. Second, there is a need to advance scientific knowledge, to provide basic information for improved structural engineering in California and to collect data on geologic hazards in California for research purposes. Such work can be justified as a water project cost only to the extent that initial design data was needed but cannot be justified beyond the completion of design.

The above basic information and research functions would appear more appropriately to belong to the Division of Mines and Geology in the Department of Conservation on the basis of the information we have been able to secure and evaluate. Thus, the Jamestown seismic installation, the strain gauge, the geodimeter network, several precise leveling networks in southern California, and precise leveling for subsidence in the San Joaquin Valley are the principal activities now carried on by the Department of Water Resources which might be transferred to the Division of Mines and Geology. The tiltmeter installations, seismoscopes and strong motion seismographs installed at features of the State Water Project should remain the responsibility of the Department of Water Resources. The collection and analysis of data from the network of stations proposed to be transferred to the Division of Mines and Geology and any other basic information should become the responsibility of that division. The Department of Water Resources should continue its engineering analysis of data collected by the Division of Mines and Geology and other sources as well as data collected at the site of features of the State Water Project to the extent justified to provide the information necessary for the operation of the State Water Project or the design of additions to the State Water Project. The disposition of the mobile and portable seismographs is uncertain.

Our review of the earthquake and geologic hazards work in California has been guided by the publications entitled "Earthquake and Geologic Conference, December 7 and 8, 1964," published by the Resources Agency, and "Earthquake Prediction," dated September 1965, published by the United States Office of Science and Technology. Both publications discuss and, in the case of the latter, recommend programs for the collection of additional earthquake hazard information in California. By centralizing the responsibility for the state's work in the Division of Mines and Geology, the state will be in a better position to cooperate with any future federal program or expansion of federal activities in California.

The consideration of many important problems confronting California's future repeatedly indicates the need for greater knowledge about earthquake hazards. Thus, for example, discussions regarding filling of San Francisco Bay involve questions of geologic stability of bay fills, the location of major nuclear reactors has confronted the state and private design engineers and geologists with acute problems of evaluating earthquake hazards, and the construction of the State Water Project and Interstate Highway 5 along the western side of the

Department of Water Resources—Continued

San Joaquin Valley may provide a stimulus to future construction and development in this undeveloped earthquake hazard area along the San Andreas fault. There also remains a need for major improvement in data to permit safer and more economical designs of structures in the San Francisco Bay and Los Angeles areas, both of which are earthquake hazard areas. It is evident that California has a need for an enhanced, basic program in earthquake hazards which should be assigned to one organization. This responsibility is not now vested by statute either in the Department of Water Resources or any other state agency.

It may be noted that the Department of Water Resources has organized its earthquake and geologic hazards programs in a difficult area of work and full credit should be given to the department for its initiative. In contrast, the Division of Mines and Geology has been content to continue its geological mapping program and initiate limited mapping of urban hazards in southern California which is partly a local responsibility. The Division of Mines and Geology might absorb some of the sense of urgency which has permeated the work of the Department of Water Resources. Perhaps the moving of the division from San Francisco to Sacramento where it will be in closer contact with problems of state government would be beneficial. The Resources Agency has appointed two committees to recommend a state program and solutions to various problems, but the committees have not completed their work.

It is recommended that the Legislature instruct the Resources Agency to expedite its studies and to prepare a program for the shifting of basic earthquake and geologic hazards work to the Division of Mines and Geology following the general guidelines suggested above and to seek means to provide General Fund support for the work in that division in the fiscal year 1967-68 Budget. (See also Item 254, for the discussion entitled "Funding and Priority Problems.")

Advanced Techniques of Water Resources Development

This program is a consolidation of various minor activities undertaken by the department in past years to develop improved theory and methods of evaluating reservoir yields, to determine the economic effects of varying degrees of water supply deficiencies, and to develop criteria to maximize operation of the State Water Project. The water service contractors have objected to charging half the cost of this \$78,000 program to the State Water Project. The remaining half of the costs, or \$39,000, is proposed to be budgeted from the General Fund next fiscal year.

The advanced techniques investigation is an excellent illustration of several departmental activities which are of some benefit to the State Water Project but which also represent long-term research and development to improve scientific knowledge and engineering theory in water resources planning and operations. Such an investigation not only raises the question whether the work should be charged in any part to

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the State Water Project, but it also raises the more fundamental question whether the department should undertake research work of a long-term nature based on the assumption that the benefits will be realized in a continuing high level of project planning and construction in future years.

The United States Corps of Engineers and the United States Bureau of Reclamation have construction programs which assure them of a continuing need for better methods and improved engineering. After 1972 the basic construction of the State Water Project will be completed by the department and no further new major construction will be undertaken, based on present knowledge, for a period up to 10 years or more. Technological developments may be rapid. Without a specific application for new technological developments, the department would have little justification to develop or study new technology and would be engaging in high cost activities which would produce little direct benefit to the State Water Project or the state.

However, the program for advanced techniques in water resources development raises a more fundamental question in our view. We do not question the desirability of developing the maximum economy and efficiency in operation of the State Water Project. The difficulty arises from the fact that this is essentially an operations responsibility rather than a planning function. We have in the past commented on the need for the department's planning functions to accommodate themselves to the inevitable shift of emphasis in the department from a planning to an operating organization when construction of the State Water Project is completed. In the case of the advanced techniques investigation, because it is not the responsibility of the department's planning functions to provide for maximum efficiency in operation in the State Water Project, because the operation of the State Water Project will inevitably produce many problems which planning studies cannot anticipate, and because an integral function of any operations staff is to seek improved methods of operation, we conclude that the proposed investigation should be an operations study, if continued.

The State Water Project will operate during its initial years with excess developed water. It will not be until the year 1990 that maximization of all operating criteria will become urgent because then the project will be operating at full capacity. In addition uncertainty now exists in the State Water Project regarding the power operations at Oroville, there is as yet no operating agreement with the Bureau of Reclamation on the delta, and many other unknown variables exist which make it impossible to evaluate the benefits which can be realized from theoretical efforts to maximize the future operation of the State Water Project.

It is recommended that \$39,000 in General Fund money for advanced techniques for water resources development be disapproved and that the work be reviewed and rebudgeted as an operations program when justified on that basis.

Department of Water Resources—Continued
Coordination With San Francisco Bay Studies

Under the terms of AB 2380 which authorized a comprehensive study of waste disposal problems in the San Francisco Bay and the delta, the State Water Quality Board is currently developing a specific plan for the bay investigation. This plan will be submitted to the Legislature for funding during the current session. In addition, the San Francisco Bay Conservation and Development Commission is preparing plans for its conservation studies of the San Francisco Bay shorelines. Neither of these studies is integrated with the budget of the Department of Water Resources at the time of preparation of this analysis, and the extent such integration may occur is now uncertain.

The Department of Water Resources has an important capacity and major resources to contribute to both these studies, particularly, to the waste management study. It is too early at this time to prepare recommendations to the Legislature for the maximum utilization of the capabilities of the Department of Water Resources for assistance in the bay area studies. It can be noted, however, that the department's budget contains substantial funding for work related to that which will be included in the studies of San Francisco Bay. Among such related programs are: quantity and use of waste water; water quality investigations; seawater intrusion studies; coordinated statewide planning; water resources and requirements survey; ground water basin protection studies; feasibility of waste water reclamation; and advisory services to State Water Quality Control Boards. There may also be portions of the two studies which are the proper responsibility of the State Water Project.

In varying degrees over the next three years, when the bay area studies will be under way, the above programs can contribute substantial resources to the bay studies without additional General Fund costs. In order to do this, it will be necessary for the Legislature to determine that the San Francisco Bay studies carry higher priority than many of the miscellaneous activities the department has scheduled under the above program. Because the San Francisco Bay studies involve a prime resource of the state in an area where the Legislature has directed that major work be undertaken on the basis of a broad, coordinated approach, it is reasonable that this work should receive priority.

It is the intention of this office to continue reviewing the budgets of the Department of Water Resources and other state agencies as further information is available on the needs for the San Francisco Bay studies and make appropriate recommendations to integrate the budgeting for the work.

It is recommended that the Legislature not approve any piecemeal or segregated appropriations for this work but that it consider all appropriations for bay area studies on a comprehensive basis in order to secure maximum integration of the work with a minimum expenditure of funds.

Department of Water Resources—Continued**Water Development Implementation**

The Water Development Implementation program category includes various planning, regulatory and miscellaneous programs of the department. The category is new in the budget format this year. As a result it is not possible to make a direct comparison of expenditures in this category with previous years. The total for the category is \$5,802,102 consisting of \$2,337,895 from the General Fund and \$3,464,207 from State Water Project funds.

Supervision of Safety of Dams

The Supervision of Safety of Dams is a statutory program in the Department of Water Resources which covers the approval of plans for construction and repair of dams and the periodic inspection of existing dams to assure their safe condition. Past experience both in California and elsewhere has indicated that dams can fail and that major damage to property and loss of life can occur. The Supervision of Safety of Dams program is intended to prevent the failure of dams in California.

After the failure of the Baldwin Hills Dam in 1964, the Governor directed the Department of Water Resources to undertake a major review of the safety of those dams under its supervision. For this purpose 16 positions were administratively authorized. Last session additional funding to continue these positions was requested through a phase II augmentation of the department's 1965-66 Budget. The augmentation was not approved by the Legislature and the department returned on July 1, 1965 to its original staffing authorization for inspection of onstream projects.

The 1965 General Session of the Legislature approved AB 1051 (Chapter 1225) which strengthened the supervisory authority of the department and added approximately 150 offstream dams to those on onstream dams previously supervised by the department. An appropriation of \$199,598 was included in the bill to finance 12 new positions for the new work during the current fiscal year.

The budget for the next fiscal year requests \$947,237 for the supervision of safety of dams. This request will continue support for the presently authorized positions plus 21 new positions being requested for next fiscal year, making a total of 58 positions. The requested dollar increase is \$200,433 over the current fiscal year.

In reviewing the budget of the Department of Water Resources for next fiscal year, careful attention has been given to the supervision of safety of dams program. The department has begun extensive efforts to modernize this program, to improve its management, to find more economical methods of doing the work while simultaneously meeting the increased workload generated by the large number of projects currently under construction in California and the severe maintenance problems being posed by older projects.

Our review indicates that the department has started a program of management improvement which is assisting in meeting the increasing workload more efficiently. However, meeting the workload and the

Department of Water Resources—Continued

development of improved management and technical procedures cannot, either singly or in combination, be carried out at the present staffing level. The department indicates its staff of 25 positions devoted to onstream projects (work authorized prior to AB 1051) is falling behind schedule and that present staffing permits the department to do little more than review construction plans for new projects plus plans for revisions of existing projects. The department has been able to meet this high priority workload only by eliminating much of its regularly scheduled inspections of existing projects.

The department needs to develop manuals and instructions for the guidance of project owners in order that they may fully understand and comply with departmental safety requirements. At present no positions are available to prepare these manuals. Five of the new positions being requested are designated for this purpose. The remaining 16 positions being requested for next fiscal year will restore the staffing for onstream projects to the level administratively established after the Baldwin Hills Dam failure.

One of the major recent management improvements in this program has been the development of a hazards classification system which permits the department to schedule its inspections of existing projects on the basis of factors intended to measure the degree of hazard the project possesses. This classification system has been designated by the Department of Water Resources as part of the workload measurement and standards program sponsored by a subcommittee of the Assembly Ways and Means Committee. The department's standards show a justification for 70 positions in the Supervision of Safety of Dams program. Our review indicates that additional experience will be required before the validity of the work measurement standards can be verified. However, the present proposed staffing of 58 positions is sufficiently below the 70 positions indicated by the work measurement standards that the prospect of overstaffing is quite remote. In addition, the justification for the five positions being requested to prepare manuals should be reviewed at a later date in order to determine if their continuation is needed when the manuals are completed.

Operations

The Operations Program category includes the operation and maintenance of the State Water Project, water service contract administration, preparation of repayment and financial analyses, Sacramento River flood control maintenance, flood forecasting, flood fighting, water-master service and other activities of an operational nature. The department's power studies are included in this category.

The operations programs increase substantially for next fiscal year. Current expenditures are \$7,682,809 compared to \$10,997,584 for next year resulting in an increase of \$3,314,775. During next fiscal year the operations programs will expend \$2,170,521 in General Fund money most of which is devoted to flood control activities. State Water Project expenditures are budgeted at \$8,827,063. The increase in the op-

Department of Water Resources—Continued

erations programs represents the initiation of operation and maintenance work on the State Water Project in the delta and at San Luis on a large scale. Preparations for power and water operations of the State Water Project continue to be major cost factors and increase greatly next year.

The department is adding another operating position at the Frenchman Project next fiscal year. As a result the operation and maintenance costs charged to water conservation will increase to \$14,421 which will exceed the revenues from water sales at the project by \$421 per year without providing any payment on capital costs.

The power management program for the State Water Project is in better condition this year compared to last year. The delay in construction of the powerhouse at Oroville essentially allows the department another year for contracting to sell Oroville generation. An offer for purchase of the full generation at Oroville has been received from the private utilities. This, coupled with the inability of public agencies to purchase the power, has fixed the pattern for sale of Oroville generation.

The United States Atomic Energy Commission notified the department that it is technically unable to construct the experimental seed-blanket reactor as a joint undertaking with the department to produce pumping power. This development, coupled with the limited attention the department had given to readily available commercial power reactors, reduced the alternatives for procuring project pumping power to the offer of the power pool utilities. As a result negotiations with the utilities for sale of Oroville generation, transmission of power, and purchase of pumping power (to supplement power generated at drops along the aqueduct and purchases from the Pacific Northwest) are proceeding.

An agreement has been signed with the Pacific Gas and Electric Company covering departmental acquisition of the company's 70,000 kilowatt Big Bend generating plant. The department is paying \$23,500,000 for the plant based on the cost of constructing a steam plant of similar capacity. Since the department has been simultaneously attempting to sell the Oroville generation, the effect of the agreement is to pay for a new plant in place of replacing the power from Oroville generation during the next 34 years which is the expected service life of the steam plant. The cost of water is not significantly affected but \$23,500,000 in State Water Project capital has been expended which might otherwise have been conserved.

A major change in the west branch of the aqueduct will result from an agreement between the department and the Los Angeles Department of Water and Power. The two agencies will cooperate in financing and constructing joint facilities at the power drop between Pyramid and Castaic Reservoirs. The tunnel and powerplant will be greatly enlarged by this cooperative action and the resulting benefits will be shared.

Department of Water Resources—Continued

Watermaster Service

Under the Watermaster Service program, the Department of Water Resources executes the provisions of certain court decrees which establish rights to the use of adjudicated surface or ground water. The Water Code generally provides that the costs of the program shall be shared between the state and the local beneficiaries of the Watermaster Service. In past years considerable disagreement has occurred over the budgeting of certain departmental overhead costs for this work.

Originally, the department had been absorbing as part of its general fund costs all overhead costs of the watermaster program. After review of the Water Code provisions, this office recommended that the cost for watermaster administration be shared between the general fund and the water users. In fiscal year 1964-65 the Legislature appropriated funds to pay the local share of the administrative costs. In fiscal year 1965-66 it again appropriated the local share of the administrative costs but the Governor item-vetoed the money. In preparing the fiscal year 1966-67 Budget, the department has reviewed the definition of watermaster administration and has prepared its budget on the basis of a new definition of watermaster administration. For this reason, \$49,392 is being requested as the state's portion of Watermaster Service administration costs to cover the local share of overhead, billing, etc., based on a new departmental definition of administrative costs to be shared.

Last year this office, in analyzing various legislation involving the handling of watermaster administration costs, expressed the opinion that a review should be made of departmental field costs in this program. We have reviewed these costs and have concluded that the department should give attention to improvements which can be made to reduce the overall costs of the program. There is a tendency for the participants in any cost sharing arrangement to assume that the cost sharing is such a desirable arrangement that various problems and inequities can be overlooked in view of the overall advantage of the cost sharing arrangement. In the case of Watermaster Service, we have noted several factors which increase costs because the cost sharing reduces the incentive to hold down costs.

Section 4251 of the Water Code provides that one-tenth of the cost of Watermaster Service that is borne by the water users (nonstate or local costs) shall be apportioned equally among the owners of all the water rights involved and the remaining nine-tenths of local costs shall be apportioned among the owners in accordance with the quantities of water involved. In certain Watermaster Service areas the individual rights are numerous and very small and it is expensive to administer these rights. However, the costs for this service are disproportionately borne by a relatively few large water users because of the one-tenth and nine-tenths cost sharing features of the law. The large users pay for most of the service even though their operations result in only a small part of the Watermaster Service costs. In the end, both the state and the large water users pay for the high costs and inefficiencies involved in providing service to the small users.

Department of Water Resources—Continued

Many of the Watermaster Service areas were established several decades ago under court decrees which could be modernized in view of recent developments. In addition, the drafting of the decrees did not have economy of administration as a major objective.

Our review of departmental conduct of the work indicated that some funds could be saved by eliminating preparation of the annual watermaster report, which serves primarily as a convenience to the department and is not distributed to most water users. Most of the value of this report would be retained if it were prepared only periodically rather than annually.

In view of the foregoing considerations, charging a disproportionate share of the total cost for Watermaster Service to the General Fund because the operating costs are unnecessarily high results in charging the General Fund for inefficiency in the program.

It is once again recommended that the full cost of Watermaster Service be shared by the department and the water users and that the requested appropriation of \$49,392 be removed from the budget. It is further recommended that the department suggest to the water users that they review procedures and court decrees in an effort to simplify field operations and reduce costs. The water users will be encouraged to cooperate with the department in improving the program if they are aware that their full share of the costs of the program will be charged to them and that it is to their financial advantage to participate in reducing the costs of the program.

Services

The services program category consists of various technical services related to other programs of the department and primarily funded in these other programs. The category includes a direct appropriation of \$1,914,560 from water bond proceeds. This money will be used to provide heavy mobile equipment for operation and maintenance of the State Water Project.

Design, Right-of-way and Construction

The design program covers design of all features of the State Water Project. It is budgeted at \$14,772,000 for next fiscal year which is a slight increase over the current year. With the reduction of design work at the Oroville and delta features of the State Water Project, approximately 12 design positions are being terminated in Sacramento next fiscal year. However, a large number of new design positions are being added in the southern district office located in Los Angeles as the design of project features in southern California increases in momentum.

Rights-of-way acquisition increases by approximately \$1,100,000 during next fiscal year to a total of \$5,224,000. It should be noted that the department recently acquired the property of the Feather River Railroad. This relocation problem has been resolved by negotiation after approximately four years of litigation.

Department of Water Resources—Continued

Construction supervision of the State Water Project increases to \$25,592,000 next fiscal year from \$18,804,000 in the current year. The construction emphasis will shift substantially during next year. Approximately 127 positions at Oroville, along the South Bay Aqueduct, and in the northern portion of the San Joaquin Valley will be terminated. New positions are being added totaling 367 for construction supervision along the North Bay Aqueduct and the California Aqueduct through the San Joaquin Valley. In addition, the southern district is increasing construction supervision forces in southern California by approximately 280 positions. These new positions are indicative of the changing emphasis in construction of the State Water Project as work at the northern features begins to phase out and major construction begins on the southern portions of the project.

The San Joaquin Valley Master Drain is budgeted \$2,070,000 for design and preliminary rights-of-way work. Actual purchase of land or the awarding of construction contracts is not scheduled for next fiscal year.

Pursuant to Assembly Concurrent Resolution No. 182, our office has reviewed the construction contract change orders of the Department of Water Resources. This review will be published in a separate report of the office, but its findings are noted here.

The Department of Water Resources during the past year has placed major management emphasis on the administration of contract change orders. The procedures to be used and the delegations of authority have been carefully reviewed and a number of important adjustments made. A sampling of the contract change orders approved by the department indicates no major or overall problems although, as might be expected, a number of individual problems exist. The contract for construction of the powerhouse at Oroville is an example of difficulties which can arise due to a combination of circumstances, some of which might have been controlled by the department although others were beyond the control of the department. It was also found in two instances that the change order procedure had been used to provide additional payments to contractors as a result of strikes. It is customary for the state to extend the contract construction time when a strike has occurred but it is not customary to provide additional funds to the contractor. Such payment may, in fact, constitute a questionable interference by the state in labor-management relations which can provide more aid to the contractor than to the union.

Contract Construction

The contract construction category includes direct payments to contractors for construction of the State Water Project. A total of \$270,544,000 is budgeted next fiscal year compared to \$232,127,000 for the current fiscal year. Last fiscal year the equivalent amount was \$124,988,000. These figures indicate the rapidly increasing tempo in contract construction. As noted earlier in this analysis, most of the contract construction costs for next fiscal year are budgeted from Central Valley Project revenue bonds which are to be marketed after the completion of power sales contract negotiations at Oroville.

Department of Water Resources—Continued

State Financial Assistance for Local Projects

(Davis-Grunsky Loans and Grants)

The Davis-Grunsky Act provides for loans and grants to local water projects. During next fiscal year \$17,119,400 is budgeted for this purpose which is an increase of approximately \$2,500,000 over the current year. By general agreement, the administration has been reserving the \$11,000,000 annual deposit in the California Water Fund of tidelands revenues for the Davis-Grunsky program. Although this money is insufficient by \$4,119,000 in the current year, it is insufficient by \$6,731,000 next fiscal year. These deficiencies are budgeted to be covered from water bond proceeds. This means that for the first time water bond proceeds, which are state general obligation bonds, will be expended for Davis-Grunsky grants and will, therefore, produce no revenues to pay principal and interest on these bonds.

The administrative costs of this program continue to rise from \$375,386 in fiscal year 1964-65 to \$489,216 in fiscal year 1965-66 and to \$612,086 in fiscal year 1966-67. Grants in fiscal year 1966-67 are estimated to be \$15,437,400 and loans are estimated to be \$1,682,000.

Except for the specific recommendations for reductions discussed above, approval of the department's support appropriation is recommended.

Department of Water Resources

STATE WATER RIGHTS BOARD

ITEM 274 of the Budget Bill

Budget page 952

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

Amount requested	\$1,127,667
Estimated to be expended in 1965-66 fiscal year	1,109,102
Increase (1.7 percent)	\$18,565

TOTAL RECOMMENDED REDUCTION	None
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GENERAL PROGRAM STATEMENT

The State Water Rights Board, composed of three members appointed by the Governor, was created in 1956 as an independent state agency with responsibilities as defined under Division 2 of the Water Code. The board, with its staff of 90 positions, handles administrative procedures relative to the appropriation of unappropriated water, provides assistance to the courts in water rights controversies through the court reference procedure, assists holders of water rights through the statutory adjudication procedure, and records certain data on ground water extractions in southern California. The board conducts hearings to resolve conflicting applications for permits to appropriate water, issues permits for unprotected applications, investigates facts relative to protested applications and insures, through permit and license inspections, that water covered by a permit or license is actually put to beneficial use as required by California water law.

Two additional responsibilities were given to the board by the 1965 Legislature. The first of these functions is designed to provide an in-

State Water Rights Board—Continued

ventory of water diversion and use on a statewide basis by requiring each person who diverts water from streams or lakes (and does not presently have on file with the board an application, permit, or license to do so) to file with the board a statement of his diversion and use, unless such diversion is regulated by a watermaster.

The other new function involves the administration of applications filed by the Department of Water Resources to appropriate water. These "state filings" were handled by the California Water Commission prior to the 1965 legislation which transferred jurisdiction over these matters to the Water Rights Board.

ANALYSIS AND RECOMMENDATIONS

The \$1,127,667 requested for the budget year provides for a continuation of the present level of service and represents an increase of \$18,565 or 1.7 percent over estimated expenditures in the current year. Although the water-use inventory mentioned above constitutes a new program and the recently acquired responsibility for administering state filings will increase the application-processing workload, no significant budgetary increases have resulted because this additional work can be absorbed by existing personnel.

The board's activities may be classified into five program categories which are discussed in numbered sequence below.

1. Appropriation of Water

	<i>Actual</i> 1964-65	<i>Estimated</i> 1965-66	<i>Proposed</i> 1966-67
Total cost of program -----	\$1,033,257	\$1,101,102	\$1,104,667
Less reimbursements -----	—26,779	—18,000	—18,000
Net cost of program -----	\$1,006,478	\$1,083,102	\$1,086,667

As the above table indicates, activities related to the appropriation of water constitute the major workload and expense of the board, and most of the General Fund support money is used to finance this work. These activities divide into two functions, one involving processing of applications to the point where a permit may be issued, the other concerning determination of eligibility for a license based on beneficial use of water.

The application-processing function is budgeted at \$525,600 in both the current and budget years. However, the total expenditure in both years is increased to \$541,600 by reimbursements (filing fees) amounting to \$16,000. Application processing may involve only a few routine procedures or may require complex engineering investigations and hearings or conferences, depending on the size of the proposed project, the source and quantity of water, the effects on other water users, and other variable factors. The board may hold a hearing on an application or, if the parties agree, may conduct an informal conference to resolve controversies. The processing function ends either with the issuance of a permit to appropriate water or cancellation of the application.

In 1966-67 the board expects a greater number of applications to be filed as a result of the new inventory program, but the net effect of these

State Water Rights Board—Continued

additional applications will be to offset a reduced workload trend that has occurred in this function over the past several years. The workloads in other activities associated with the application processing program remain level with the current year.

After a permit is issued, the board ascertains whether the water project being constructed pursuant to the permit is moving toward completion at a satisfactory rate or that, having been completed, the project is making beneficial use of the water. If the latter condition exists, a license may be issued, but if the project is not being developed or water is not being used in compliance with the permit, the permit may be modified or revoked. Similar action also may be taken with respect to a license. This function involves evaluation of annual progress reports filed by permittees; determination of extensions of time to complete project development; field inspections of projects; issuance of licenses; maintenance of records on ownership, place of use, and purpose of use of water; and revocations of unused permits and licenses.

For fiscal year 1966-67, this license and permit inspection function is budgeted at \$561,067, compared with estimated expenditures of \$557,502 for the current year. In addition, reimbursements in the amount of \$2,000 are anticipated in both the current and budget years, with some increase in the license and permit revocation workload being offset by reduced workload in other activities.

2. Adjudication of Water Rights

	<i>Actual</i> 1964-65	<i>Estimated</i> 1965-66	<i>Proposed</i> 1966-67
Total cost of program -----	\$24,449	\$10,000	\$10,000
Less reimbursements -----	—24,449	—10,000	—10,000
Net cost of program -----	—	—	—

The board provides two procedures which assist the courts and water users in adjudication of water rights. One procedure is a court reference in which the board acts as referee in superior court actions. The second procedure is a statutory adjudication wherein administrative determinations of the board are validated in a court decree unless exceptions are filed. The court hears and determines exceptions and may thereafter modify the board's order. The costs of both procedures are reimbursed to the board by the parties involved in the court action. Currently, the board is engaged in one statutory adjudication and two court reference proceedings. This workload level is expected to continue in the budget year.

3. Recordation of Water Extractions and Diversions

	<i>Actual</i> 1964-65	<i>Estimated</i> 1965-66	<i>Proposed</i> 1966-67
Total cost of program -----	\$22,764	\$24,000	\$24,000
Less reimbursements -----	—24,169	—24,000	—24,000
Net cost of program -----	—\$1,405	—	—

State Water Rights Board—Continued

The Water Code requires all persons who extract more than 25 acre-feet of water from the ground in any year in the Counties of Ventura, Los Angeles, San Bernardino, and Riverside to file annual notices or statements with the board. The purpose of this program is to provide a source of information on water supplies, sources, and uses to assist in resolving controversies over water rights which may arise in these counties. This program is supported by fees which are paid with each notice of extraction to cover the costs of maintaining the records. The board processed 193 first notices of water extractions and 5,494 annual notices in 1964-65. No significant change in this workload level is expected in the budget year.

4. Inventory of Water Use

	<i>Actual</i> 1964-65	<i>Estimated</i> 1965-66	<i>Proposed</i> 1966-67
Total cost of program -----	--	\$26,000	\$41,000

Inventory of water use is the new program assigned to the board by the 1965 Legislature. Its purpose, as mentioned earlier, is to develop a complete record on all diversions and uses of surface water within the state. The program does not affect persons having an application, permit, or license on file with the board to appropriate water or whose diversions are regulated by the state watermaster service. While the program is financed by the General Fund, it requires no new funds in the budget year because workload reductions occurring over the past three years in other programs permit the transfer of existing personnel to this project.

The current-year costs are largely for planning the program and publicizing its requirements, but costs will increase in the budget year when the first reports begin to arrive for processing.

5. General Administration

	<i>Actual</i> 1964-65	<i>Estimated</i> 1965-66	<i>Proposed</i> 1966-67
Total indirect costs -----	(\$149,563)	(\$151,000)	(\$151,000)
Prorated -----	149,563	151,000	151,000
Totals -----	--	--	--

General administration includes the board's executive officer and his secretary; the accounting, budgeting, and personnel services; procurement of materials; office rent and other costs and activities not directly assignable to a specific program. The costs accumulated in this category are prorated to the other programs.

Approval of the budget request is recommended.

**Department of Water Resources
RECLAMATION BOARD**

ITEM 275 of the Budget Bill

Budget page 954

**FOR SUPPORT OF THE RECLAMATION BOARD
FROM THE GENERAL FUND**

Amount requested	\$153,390
Estimated to be expended in 1965-66 fiscal year	170,364
Decrease (10 percent)	\$16,974

TOTAL RECOMMENDED REDUCTION	None
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Other Recommendations

*Analysis
page*

Show all state operations costs under the support budget	799
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GENERAL PROGRAM STATEMENT

The Reclamation Board was created in 1911 with the regional responsibility of controlling the floodwaters of the Sacramento and San Joaquin River systems. In 1957 the Legislature placed the board within the newly created Department of Water Resources, but authorized it to retain its independent powers, responsibilities, and jurisdiction. The board, now a part of the Resources Agency, consists of seven members appointed by the Governor.

Generally, the board's activities are performed in conjunction with the United States Army Corps of Engineers, which does the actual construction work on all flood control projects except that portion of the San Joaquin project lying between the mouth of the Merced River and Friant Dam. The Department of Water Resources is doing this work under an agreement with the Reclamation Board. The major activities of the board are the acquisition of lands, easements, and rights-of-way necessary for the construction of flood control projects and the design of roads, bridges, and utilities which must be relocated. The board also assumes certain maintenance obligations which it passes on to local agencies and issues permits for encroachment on river channels within the board's jurisdiction.

ANALYSIS AND RECOMMENDATIONS

Most of the board's expenditures are made from funds transferred as reimbursements from the board's own local assistance appropriations. The appropriation provided by this item covers the board's support needs which are not chargeable to local assistance projects. Hence, the proposed budget appropriated by this item is \$153,390, which is \$16,974 or 10 percent less than estimated expenditures for the current year, but the board's state operations budget, including the amount requested in this item, totals \$1,169,489, which is a decrease of \$303,128 from estimated current expenditures. However, since the current-year expenditures include the one-time costs of \$400,000 for the repair of damage caused by storms and floods occurring between December 1, 1964, and June 30, 1965, the proposed budget-year expenditures actually represent a net increase of \$96,872 over the current budget.

Reclamation Board—Continued

The increased costs in the budget year are attributable mainly to 12.4 proposed new positions, whose costs of \$97,916 are offset partially by a reduction of approximately \$24,000 in operating expenses. These new positions (9 professional and 3.4 clerical) are being requested to handle increased workloads in the board's engineering, right-of-way acquisition, and administrative activities as discussed later in this analysis.

As a supplement to its line item budget, the board again has prepared a program budget to show how expenditures relate to specific projects and activities. We note, however, that the program budget for 1966-67 is not as detailed as the one prepared last year. The board's work may be grouped into three major program categories and a general management function which are outlined below. Costs of the general management function are prorated among the three program categories and are included in the expenditures for the program categories.

1. General Management

	<i>Actual</i> 1964-65	<i>Estimated</i> 1965-66	<i>Proposed</i> 1966-67
Total general management -----	\$217,310	\$233,410	\$347,781
Less charges to other programs ----	<u>—217,310</u>	<u>—233,410</u>	<u>—347,781</u>
Net expenditures -----	—	—	—

The general management function provides overall administration of the board and review of engineering, right-of-way acquisition, accounting, budgeting, and clerical services. The board states that most of the \$114,371 budget-year increase in this program is the result of refinements in the method of computing management costs, and that the true budget-year increase is \$12,179 when the improved cost-allocation formula is applied in both the current and budget years. This increase represents salary increases, slight modifications in general expenses, and one new clerical position to handle increased workload.

2. Planning

	<i>Actual</i> 1964-65	<i>Estimated</i> 1965-66	<i>Proposed</i> 1966-67
Total program -----	\$124,331	\$135,970	\$150,616

Planning work is conducted in connection with an authorized project to the point where ground surveys are begun by the Corps of Engineers, or it may be performed independent of an authorized project where problems of flood control exist. The purpose of this activity is to develop plans for flood control works in the Sacramento-San Joaquin Valley which have been authorized or which warrant authorization in the future.

Project planning involves reviews of estimates made by the Corps of Engineers on the costs of securing lands, easements, and rights-of-way for authorized flood control projects to be constructed by the corps. Since the state pays these costs, the purpose of reviewing them is to determine if the corps' cost estimates are reasonable and are a fair portion of project costs. Currently, there are 20 authorized corps

Reclamation Board—Continued

projects in the survey report stage compared to 14 this time last year. In addition, the board studies areas which have potential flood problems to obtain information for flood plain management and development of master plans. This work also includes cooperative studies with federal and state agencies on flood and drainage problems in the area of the board's jurisdiction.

Proposed to be continued in the budget year are studies directed at correcting a siltation problem in the Colusa Bypass and preventing high flows in the Feather River from cutting a new channel through the Sutter Bypass in the vicinity of Nelson Bend. These two planning projects, which are being conducted by the Department of Water Resources for the board, will cost about \$51,000 in the current year and \$100,000 in the budget year. However, the board has not included the costs of these studies in the planning program, but is financing the work directly from its capital outlay (local assistance) appropriation. This budgetary procedure constitutes a questionable utilization of capital outlay funds, inaccurately portrays the costs of the planning program, and does not make clear what planning work is being budgeted. *We recommend, therefore, that the board hereafter follow the accepted practice of including all the state operations costs, whether for planning or other purposes, in its state operations budget to assure that all proposed expenditures can be clearly identified.*

3. Project Maintenance and Operation

	<i>Actual</i> 1964-65	<i>Estimated</i> 1965-66	<i>Proposed</i> 1966-67
Total program -----	\$97,203	\$100,580	\$167,335

This category contains all project management activities of the board arising from the board's responsibility for insuring proper maintenance and operation of all projects constructed in the area of the board's jurisdiction. The major increases in the proposed budget for this program category represent the salary costs of two professional positions to handle increased workload in the encroachment program and two clerical positions to meet an increased clerical workload.

Through its encroachment activity, the board is responsible for controlling encroachments along the Sacramento and San Joaquin Rivers and their tributaries. The board processes and reviews applications for permits for construction of any type along the banks, the overflow channels, or the levees of the rivers and their tributaries to insure that they will not impair the operation or maintenance of the flood control project. Inspections are made of authorized encroachments during the construction stage to ascertain that they are constructed properly. The board also takes steps to remove existing unauthorized encroachments which are harmful to the levees or the flood control project.

Property management is another program in this category involving leasing and disposal of unneeded properties owned by the board. The objective of this program is to obtain maximum state benefit from the use of the property by realizing its greatest revenue potential or by

Reclamation Board—Continued

making it available for public use. Revenue estimates for the budget year total \$420,000 compared with estimated revenues of \$418,000 in the current year.

The board's "litigation other than condemnation" function defends the state in all legal actions resulting from flood damages or inverse condemnation actions. The sum of \$50,000 is budgeted in both the current and budget years to hire experts to testify in behalf of the state.

4. Acquisition and Relocation

The board's flood control programs are financed by its local assistance appropriation, Item 353, which covers the costs of lands, easements, rights-of-way, and relocations required by the Corps of Engineers' flood control projects. The board assumes the obligation for these costs at the time the project is authorized, but the expenditure of state funds is scheduled according to the corps' budget as approved by the Bureau of the Budget and authorized by Congress. The costs of the flood control program account for approximately 95 percent of the board's total expenditures and represent about 77 percent of staff costs and activities. The acquisition and relocation program includes the board's costs for acquiring rights-of-way exclusive of land purchase costs and relocation costs.

Although proposed expenditures for the flood control program decrease substantially in the budget year, high workloads remain in several board functions associated with this program. To meet these workloads and to reduce accumulated backlogs, the board is requesting 7.4 new positions in the budget year. Three of these positions will be used to handle increased workload and to reduce condemnation backlogs in the right-of-way acquisition function, and a fourth position is proposed to handle increased workload in processing right-of-way parcels. Three other positions, whose costs are offset by a corresponding reduction in engineering consultant services, are requested to work on a backlog of condemnation cases. The 0.4 temporary position will be used to provide additional clerical services.

In recent years the shortage of time available for the board to acquire lands for Corps of Engineer projects has required that most lands be acquired by condemnation in order to secure a right of immediate occupancy. This practice has increased the amount of work required to acquire land because of the complexities of filing condemnation actions compared to negotiated purchase. Under this condemnation procedure the board still must attempt to negotiate a purchase of the land and only if it does not succeed in its negotiations will trial of the condemnation action occur. The entire procedure as a standard practice for land acquisition is costly and unsatisfactory, but no improved approach is known. Because of a backlog of 243 condemnation actions (not trials) pending at the end of last fiscal year and because the Attorney General is now seeking to expedite these condemnation actions, we have concluded that additional funds should be provided for the Reclamation Board to reduce the backlog.

Reclamation Board—Continued

The Sacramento River bank protection project may require reauthorization in the future. The project, which supplements the Sacramento River flood control project, was authorized by the Legislature in 1961. The project is scheduled to be completed over a period of 25 years at an estimated cost of \$100,000,000, one-third of which is the state cost and two-thirds is the federal cost. However, the ultimate costs may be considerably higher since the board indicates that increased prices for materials and services plus the addition of recreational facilities to the project have increased the total cost of the work by \$4,000,000. Thus, state legislation will be necessary to increase the state cost ceiling on this project for the initial 10-year phase.

Following is a table which shows the portion of the board's local assistance funds which are used for administrative, planning, acquisition and other staff costs of the board.

	<i>Actual</i> 1964-65	<i>Estimated</i> 1965-66	<i>Proposed</i> 1966-67	<i>Change</i> <i>from</i> 1965-66
Sacramento River flood control project -----	\$201,180	\$708,097	\$22,239	—\$685,858
Sacramento River bank protection -----	1,209,837	2,672,573	2,106,327	—566,246
Lower San Joaquin River flood control project	6,265,952	4,652,512	1,115,152	—3,537,360
Mormon Slough -----	27,574	1,309,480	1,973,545	664,065
Calaveras River, Littlejohn Creek and tributaries (Bear Creek) -----	450,627	198,314	21,765	—176,549
Middle Creek -----	38,361	8,705	7,976	—729
Merced County stream group -----	2,192	1,844	1,253	—591
Fresno River, Hidden Reservoir ---	--	6,500	198,574	192,074
Chowchilla River, Buchanan Reservoir--	--	6,500	46,263	39,763
Totals, Flood Control Program -----	\$8,195,723	\$9,564,525	\$5,493,094	—\$4,071,431

Approval of the budget is recommended.

COLORADO RIVER BOARD

ITEM 276 of the Budget Bill

Budget page 956

FOR SUPPORT OF THE COLORADO RIVER BOARD
FROM THE GENERAL FUND

Amount requested -----	\$256,319
Estimated to be expended in 1965-66 fiscal year -----	249,601

Increase (2.7 percent) -----	\$6,718
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TOTAL RECOMMENDED REDUCTION -----	None
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GENERAL PROGRAM STATEMENT

The Colorado River Board is responsible under the Statutes of 1937 (now Part 5 of Division 6 of the Water Code) for protecting the rights of six local water and irrigation districts in southern California to the

Colorado River Board—Continued

use of Colorado River water. The board, composed of a representative from each of these six local agencies, employs a staff of 19 positions. Major functions of the board consist of compiling and analyzing engineering data, engaging in interstate conferences, and appearing before Congress and interested federal agencies relative to existing and proposed uses of the river water and its supplementation.

ANALYSIS AND RECOMMENDATIONS

The proposed 1966-67 budget for the Colorado River Board is \$256,319 which is \$6,718 higher than the estimated expenditures for the current year. This is an increase of 2.7 percent and represents a continuation of the present level of service.

In recent months the Department of Water Resources and the Colorado River Board have been working closely in the drafting of legislation to authorize federal projects on the Colorado River and the importation of water into the Colorado River Basin. Numerous meetings, analysis of data, and resolution of problems have been handled by the department, the board, and other water interests in California in a cooperative spirit.

Recent developments on the Colorado River in both the upper and lower basin states have emphasized the need for negotiation and cooperation among the Colorado River states. The Colorado River Board has been active in these negotiations which have resulted in much greater progress during the past year in solving Colorado River problems than occurred during the prior years of litigation. Although much work remains to be done by our federal, state and local interests involved in Colorado River problems, the present rate of progress is encouraging.

In September 1965 the Joint Legislative Budget Committee, pursuant to Item 257 of the Budget Act of 1965, approved a transfer of funds for an expenditure of \$67,000 by the Department of Water Resources for a program entitled, "Interstate Water Planning". The department's program was intended to finance necessary work to permit the state's participation in several interstate activities related to the solution of Colorado River Water problems, securing of additional water supplies for the Colorado River basin and other matters. In approving the departmental expenditure, the Joint Legislative Budget Committee asked the Department of Water Resources and the Colorado River Board to extend their present pattern of cooperation into future activities and to provide the Budget Session of the Legislature with an outline of future working relationships similar to the present relationship. The staffs of the department and the board have discussed this matter recently and it is presumed that a statement will be submitted for consideration by the Legislature at the time of budget hearings.

Approval of the request is recommended.

WATER QUALITY CONTROL BOARD

ITEM 277 of the Budget Bill

Budget page 958

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

Amount requested -----	\$1,046,336
Prior year balance available -----	36,000
Total -----	\$1,082,336
Estimated to be expended in 1965-66 fiscal year -----	1,106,993
Decrease (2.2 percent) -----	\$24,657
TOTAL RECOMMENDED REDUCTION -----	None

Other Recommendations

Analysis page

Recommendation on work under AB 2380 (Ch. 1351, 1965) the San Francisco Bay-Delta Waste Water Management Study ----- 808

GENERAL PROGRAM STATEMENT

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 1963 Legislature broadened the responsibilities of the boards to include the control and maintenance of water quality and changed the name of the boards to reflect the emphasis being placed on this function.

The state board, which consists of the Directors of Water Resources, Fish and Game, Public Health, Agriculture, and Conservation, plus nine members appointed by the Governor, is responsible for formulating and adopting a statewide policy for control of water pollution and water quality; reviewing water pollution and water quality control policies adopted by the regional boards; administering statewide programs of federal financial assistance for sewerage construction; correcting pollution conditions not corrected by regional boards; administering research programs relative to water pollution and water quality control; and coordinating and submitting budget requests for the regional boards.

The regional boards, composed of seven members appointed by the Governor, are responsible for formulating and adopting long-range plans and policies for control of water pollution and water quality; recommending projects for federal financial assistance; coordinating programs of abatement and prevention of water pollution; assisting the development of self-policing waste disposal programs; enforcing water pollution laws through appropriate federal, state, and local agencies; prescribing discharge requirements for all existing and proposed waste dischargers; and issuing cease and desist orders in cases of noncompliance with discharge requirements.

Water Quality Control Board—Continued

ANALYSIS AND RECOMMENDATIONS

The proposed budget of the state and regional boards is \$24,657 or 2.2 percent less than estimated expenditures for the current year. In addition to a General Fund expenditure of \$1,082,336 requested for fiscal year 1966-67, the board will receive \$289,900 in federal funds for a total expenditure of \$1,372,236. Included in the budget are 6.4 proposed new positions consisting of four engineers and 1.4 clerical positions for the state board to work on the formulation of water quality policy and two engineers for the regional boards to handle increased workload. The cost of these positions, budgeted at \$68,804, is more than offset by reductions of approximately \$88,000 in expenditures for the San Francisco Bay-delta water quality study and contractual services for the regional boards. In general, the budget represents a continuation of the present level of service with some new staffing to assist the board in implementing its responsibility for developing a statewide water quality control policy.

As a supplement to the line item budget, the board has prepared a program budget to show more clearly how proposed expenditures relate to particular activities. A summary of expenditures by the state and regional boards follows:

State Board			
	<i>Actual 1964-65</i>	<i>Estimated 1965-66</i>	<i>Proposed 1966-67</i>
Formulation and adoption of statewide policy	\$53,741	\$79,232	\$145,316
Review of financial assistance requests for construction of sewerage facilities -----	51,204	49,053	53,677
Water quality research -----	198,314	128,256	152,321
Totals, state board -----	\$303,259	\$256,541	\$351,314
Regional Boards			
	<i>Actual 1964-65</i>	<i>Estimated 1965-66</i>	<i>Proposed 1966-67</i>
Formulation and adoption of long-range plans and policies -----	\$182,018	\$204,273	\$229,279
Establishment of waste discharge require- ments -----	208,843	226,915	227,485
Surveillance of waste discharge requirements	280,639	311,254	318,888
Enforcement of waste discharge requirements	71,214	77,319	77,884
Special studies -----	199,195	159,500	104,290
Other activities -----	15,972	27,091	27,091
Totals, regional boards -----	\$957,881	\$1,006,352	\$984,922
San Francisco Bay-Delta Water Quality Study -----	-	134,000	36,000
Total expenditures -----	\$1,261,140	\$1,396,893	\$1,372,236
General Fund -----	966,008	1,106,993	1,082,336
Federal funds -----	295,132	289,900	289,900
Personnel man-years -----	61.2	66.4	73.0

State Board Activities

The formulation and adoption of statewide water quality control policy and water quality objectives is the most important task confronting the state board. The purpose of this program is to develop

Water Quality Control Board—Continued

statewide policies in the form of water quality objectives for all the hydrographic areas of the state with respect to sea-water intrusion, streamflow management and low-flow augmentation, waste water reclamation, control of groundwater quality, irrigation return waters, water quality problems resulting from bay filling, pesticide residues in waters, wastes from boats, eutrophication, and monitoring of waste discharges. Some of the most critical problem areas are the Sacramento-San Joaquin Delta, San Francisco Bay, and Lake Tahoe.

In conjunction with its responsibility for developing statewide policy, the state board also reviews and coordinates policies of the regional boards. Pursuant to legislation adopted by the 1965 Legislature, long-range plans and policies adopted by the regional boards for water pollution and water quality control within their regions become effective within 60 days unless they are specifically disapproved by the state board. The legislation also requires the state board, in formulating statewide policy, to consult with any affected regional boards and evaluate their recommendations. Moreover, before a policy can be adopted, the state board must hold a public hearing, and any affected regional board must submit written recommendations on the proposed policy at least 20 days in advance of the hearing. As a result of this 1965 legislation, the state and regional boards are required to work more closely together so as to achieve a unified and effective state water quality control program. The proposed budget for the policy formulation program, which includes \$50,564 for 4 new engineers and 1.4 clerical positions, reflects the state board's efforts to implement these new responsibilities.

The past year has presented many difficulties for the state board. The efforts to develop a program to implement its statewide water quality control authority have not produced significant results. The development of the preliminary plan report for the San Francisco Bay-Delta waste water management study has been given to the executive officer. In turn, his duties were assumed by the assistant executive officer who delayed his scheduled retirement in order to fill in as acting executive officer. In addition, the unusual composition of the state board membership has continued to create problems in program and policy formulation concerning which we have commented in the past.

The new responsibilities placed upon the state board by the Legislature in 1963 and 1965 with respect to statewide water quality policy and the mandate in new federal legislation for states to establish water quality objectives by 1967 or face federal action to establish them places a severe burden on the state board. The additional staff requested by the board will by itself not resolve all these problems and permit the state to demonstrate the leadership in water quality that it has shown in water pollution matters in past years.

The state board administers federal grants provided by Public Law 660, 84th Congress, for waste treatment works for local governments and agencies. These grants, which have increased substantially in recent years, will total an estimated \$10,000,000 in 1966-67. Eligible communi-

Water Quality Control Board—Continued

ties may receive grants for construction of waste treatment facilities up to 30 percent of the project cost with a maximum of \$1,200,000 per applicant or \$4,800,000 for a joint project. In prior years, the maximum allocation to a single applicant was \$600,000 or \$2,400,000 for a joint project. Grants will be made to an estimated 50 applicants in the budget year. Since the requests for these grants exceed available funds, the state board establishes priorities based on local water pollution control needs which are determined by regional boards and reviewed by the state board. The U.S. Public Health Service makes the grants.

This federal grant program has practically supplanted a state program under which loans have been made through the State Water Pollution Control Fund to local communities for financing sewerage plants. The fund was established in 1949 with a loan authorization of \$1,000,000, all of which is currently committed. Legislation was proposed last year to abolish this fund.

In 1966-67 the board proposes to continue two research programs and to initiate two new ones. A study of the effects of detergents on ground waters and a study of cannery wastes are the two current programs which will be continued in the budget year at current levels of expenditure. The proposed new projects are an investigation of the causes of rising salinity in the Upper Santa Ana River Basin (budgeted at \$50,000) and an ecological study of San Diego Bay (budgeted at \$10,000). Completed in the current year was an investigation of ground water pollution resulting from refuse dumps.

Regional Board Activities

In the budget year, the regional boards are placing greater emphasis on formulating and adopting long-range plans and policies for water pollution control and water quality control within their respective regions in response to the water quality legislation mentioned previously. This work will involve determinations of what constitutes beneficial uses of water and an enunciation of water quality objectives. Two additional engineering positions are included in the proposed budget for this program. One of these positions is being requested by the North Coastal Regional Board to assist in developing plans and policies pertaining to the Eel River Basin, and the other position is requested for similar planning work in the San Francisco Bay region.

The regional boards have primary responsibility for controlling water pollution from sewage and industrial waste discharges within their respective jurisdictions, and most of the workload of the boards results from implementing this responsibility through establishing, surveying, and enforcing waste discharge requirements. Since 1950, the boards have established discharge requirements for 8,896 systems, and the number currently in force is 7,145. In the budget year, the boards anticipate that 620 new discharge requirements will be formulated, which is the estimated number for the current year. Approximately 6,000 field inspections to ascertain compliance with discharge requirements will be made in the budget year compared to 5,550 in the current year. Some decrease is expected in the number of monitoring reports which are

Water Quality Control Board—Continued

submitted periodically by the waste dischargers. The boards also inspect streams to determine whether direct or indirect waste discharges are adversely affecting water quality.

When a violation of waste discharge requirements occurs, the boards issue a cease and desist order and refer the case to the courts if the discharger does not comply with the order. An estimated 35 such orders will be issued in 1966-67, and five additional orders will be referred to the district attorney for prosecution.

Under the special studies program, waste discharges and receiving waters are sampled and analyzed as a basis for formulating long-range plans and policies with respect to water quality and pollution control. This work, which is contracted with other agencies, decreases by \$55,000 in the budget year because of the phasing out of the San Francisco Bay pollution study being executed under contract by the University of California.

The principal function in the "other activities" program is the receiving and reviewing of applications for federal sewerage construction grants under Public Law 660. The regional boards make recommendations on these applications before submitting them to the state board for approval and processing. A greater number of applications for grants is expected in the budget year due to the increased amount of federal money which will be available. This additional application processing workload will be offset by elimination of the filing of well driller reports as provided by Chapter 1088, Statutes of 1965.

During the past two years, the state and regional boards have been confronted with the problem of how best to implement their new responsibility for water quality control. The problem is a difficult one requiring considerable work before sound policies and water quality objectives can be formulated. The net program increases requested for the budget year appear to be minimal for that purpose.

Approval of the budget is recommended.

Comments on Work Under AB 2380

Under the provisions of AB 2380 (Chapter 1351, Statutes of 1965), the State Water Quality Control Board was given the responsibility to study the water quality control problems of the San Francisco Bay and the Sacramento-San Joaquin Delta area. The objective of the study is to prepare a long-range plan for disposal of drainage and waste waters throughout the San Francisco Bay area.

The Water Quality Control Board was directed by the Legislature to consider all beneficial uses of receiving waters in the bay area, to evaluate the need for and feasibility of a multiple purpose waste collection and disposal system, to study alternative uses of waste waters, and to develop a plan for a waste disposal system. Section 5 of the act states:

"The State Water Quality Control Board, in conducting the San Francisco Bay-delta area study, is directed to call on the advice, counsel, and guidance, and participation of appropriate local,

Water Quality Control Board—Continued

state, and federal agencies. The board shall, to the fullest practicable extent, cooperate and coordinate its work with all agencies undertaking planning and technical investigations pertinent to this study. The State Water Quality Control Board is directed to coordinate its study and, in order to avoid duplication of work, shall make maximum use of data and information available from state agencies, federal agencies, including but not limited to the U.S. Public Health Service and the U.S. Corps of Engineers, the planning programs of the Association of Bay Area Governments, the cities and counties of the San Francisco Bay-delta area, and other public and private agencies within the San Francisco Bay-delta area and the Central Valley and the studies by the proposed San Francisco Bay Conservation and Development Commission.

“The board is further directed to encourage agencies of local government to undertake studies of local waste disposal problems which can be integrated into the master plan.”

Section 7 of the act states:

“The State Water Quality Control Board shall appoint consultants in the fields of water quality, pollution control, waste disposal and water supply, and regional planning. The consultants shall advise and recommend to the board concerning the following matters:

(a) The identification of waste disposal studies now underway and the review of data being collected that relates to water.

(b) Preparation of a detailed plan for conduct of the study.

(c) The selection and contacting of those agencies, public and private, which are to participate in the study.

(d) The direction, management and supervision of conduct of the study and preparation of the reports on the study by the participating agencies.

(e) The submission of the required reports to the board.”

Section 8 requires, “On or before the fifth legislative date of the 1966 Regular (Budget) Session, the State Water Quality Control Board shall submit to the Legislature a preliminary report setting forth the detailed scope of the San Francisco Bay-delta area study including the alternatives to be investigated, the work program to accomplish the study, and the estimated cost thereof.” The sum of \$170,000 was provided to finance the work in Section 8 of which \$36,000 is budgeted to remain unexpended in the current year. The preliminary report is to provide the basis for the Legislature to appropriate funds this session for fiscal year 1966-67. The final report is required by January 1969.

At the time of preparation of this analysis, only a draft copy of the preliminary report proposing the three-year bay-delta waste water management study was available. A review of this draft indicates that the projected \$2,800,000 cost for the study is high. The specific expenditures in several instances propose detailed study such as \$125,000 for study of waste water reclamation, \$25,000 to evaluate bay fill and land reclamation, \$170,000 to compute and analyze economic benefits,

Water Quality Control Board—Continued

and \$155,000 for inventory and recommending a governmental structure to execute the plan which can be done on a reduced scale. In some of the above work and also in such work as \$200,000 for oceanographic studies, \$100,000 to evaluate ecological factors, \$100,000 to refine economic development studies, and \$170,000 to refine hydrologic data, various state and federal agencies should be able to make substantial contributions with existing staff and from presently budgeted programs which relate directly or indirectly to the bay-delta study.

The above comments are based on the draft of the preliminary report to the Legislature and some revision of the project study may be included in the request for funds which is finally submitted to the Legislature. As submitted, the Governor's Budget includes no funding for the bay-delta study and an augmentation will be required if the study is to get underway next fiscal year as contemplated by AB 2380.

When a specific budget request is received to finance the bay-delta study, it is our intention to review it carefully in order to recommend the maximum integration of the study with existing programs of the departments of Water Resources, Fish and Game, Public Health, the San Francisco Bay Conservation and Development Commission and other budgets. It is possible that large sums of money may be saved by fully integrating the bay-delta waste water management study with these state budgets, federal grant money, federal investigations in the San Francisco Bay area and local activities.

It is recommended that the Legislature approve a study plan for the bay-delta study only if it is comprehensively financed to take advantage of all study resources available. It is further recommended that the Legislature consider all the major features of the study simultaneously and not approve any work that is not fully integrated.

GOOSE LAKE COMPACT COMMISSION

ITEM 278 of the Budget Bill

Budget page 962

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

Amount requested	\$1,800
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TOTAL RECOMMENDED REDUCTION	None
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GENERAL PROGRAM STATEMENT

The Goose Lake Compact Commission was created by Chapter 1389, Statutes of 1961, for the purpose of formulating with the State of Oregon and the federal government 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 Modoc County residents appointed by the Governor. The members are nonsalaried, but are allowed necessary expenses incurred in the performance of their duties.

ANALYSIS AND RECOMMENDATION

The commission agreed to terms of a compact relative to Goose Lake in March 1963, and the compact was ratified by the Oregon Legislature

Goose Lake Compact Commission—Continued

on June 6, 1963, and by the California Legislature on June 28, 1963. However, the opposition of the Oregon congressional delegation to an amendment to the federal consent legislation which has been recommended by the United States Department of Justice has prevented federal approval of the compact.

The commission has not requested an appropriation for the past two years, but is requesting \$1,800 in the budget year to finance meetings with its Oregon counterpart in an effort to resolve the problem that is delaying federal consent to the compact.

We recommend approval.

CALIFORNIA ADVISORY COMMITTEE

ITEM 279 of the Budget Bill

Budget page 962

**FOR SUPPORT OF THE CALIFORNIA ADVISORY COMMITTEE
FROM THE GENERAL FUND**

Amount requested	\$3,000
Estimated to be expended in 1965-66 fiscal year	1,500
Increase (100 percent)	\$1,500

TOTAL RECOMMENDED REDUCTION..... None

GENERAL PROGRAM STATEMENT

The California Advisory Committee was authorized by the Legislature in Chapter 1647, Statutes of 1965. The committee is authorized to hold hearings, and provide advice to the Legislature and to the state's members appointed to any interstate organization participating in water planning among the western states. The committee consists of an Assembly member, a Senate member, a member of the California Water Commission, and four members appointed by the Governor.

ANALYSIS AND RECOMMENDATIONS

The Western States Water Council was established during 1965. The establishment of this council will activate the California Advisory Committee pursuant to Chapter 1647. However, the California Advisory Committee has not been formally organized or held a meeting at the time of preparing this analysis.

The Legislature appropriated \$3,000 in the budget bill last session to fund the activities of the advisory committee. The Governor's Budget estimates that half this amount will be unexpended. An appropriation of \$3,000 is requested for next fiscal year. The scope of the activities which the advisory committee may undertake are not known at this time because interstate water planning among the western states is only beginning to take shape. The \$3,000 requested for next fiscal year, therefore, appears adequate.

Approval of the request is recommended.

California-Nevada Interstate Compact Commission Items 280-281

KLAMATH RIVER COMPACT COMMISSION

ITEM 280 of the Budget Bill

Budget page 963

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

Amount requested ----- \$9,210

TOTAL RECOMMENDED REDUCTION ----- None

GENERAL PROGRAM STATEMENT

The Klamath River Compact Commission was created in 1957 after congressional approval of the Klamath River Basin Compact between the States of California and Oregon. The three-member commission, consisting of the Director of the California Department of Water Resources, the Oregon State Engineer, and a federal representative appointed by the President, promotes the integrated, 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 commission is financed equally by California and Oregon through appropriations placed in a trust account from which all operating expenses are paid.

ANALYSIS AND RECOMMENDATION

Last year the commission did not request an appropriation because unexpended moneys remaining in the trust fund account from prior appropriations were sufficient to finance the commission's activities in the current year. Since the trust fund will be reduced to an estimated \$10,318 at the close of the current fiscal year, the commission is requesting \$4,605 in the budget year to continue its work on finding a solution to the algae problem in the Klamath River. In addition, the commission will initiate studies of water-use by wildlife refuges in the basin and undertake a determination of water rights in the former Klamath Indian reservation.

We recommend approval of the amount requested.

CALIFORNIA-NEVADA INTERSTATE COMPACT COMMISSION

ITEM 281 of the Budget Bill

Budget page 965

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

Amount requested ----- \$19,928

Estimated to be expended in 1965-66 fiscal year ----- 29,082

Decrease (31.5 percent) ----- \$9,154

TOTAL RECOMMENDED REDUCTION ----- None

GENERAL PROGRAM STATEMENT

The California-Nevada Interstate Compact Commission was established by Chapter 1810, Statutes of 1955, to represent California in negotiating an interstate compact with Nevada covering the distribution and use of the waters of Lake Tahoe and the Carson, Walker, and Truckee Rivers. The California commission is composed of the Director of Water Resources and six members appointed by the Governor who

California-Nevada Interstate Compact Commission—Continued

reside, own property, or engage in business in the basins of the Carson, Walker, and Truckee Rivers and Lake Tahoe. The Department of Water Resources provides all engineering, administrative, and clerical services to the commission under an annual agreement.

ANALYSIS AND RECOMMENDATION

On October 29, 1965, after 10 years of negotiation, the California and Nevada commissions agreed on a proposed compact covering the Truckee, Carson, and Walker River basins and Lake Tahoe, and submitted this compact to interested agencies for review and comment. During 1966-67, the joint commission will analyze comments on the proposed compact received from federal, state, and local agencies and make such changes in the compact as seem appropriate: present the completed compact to the Legislatures of California and Nevada for ratification; and arrange for the introduction of consent legislation in Congress to obtain federal approval.

The proposed budget for the California commission is \$19,928, which is \$9,154 or 31.5 percent less than estimated expenditures for the current year. The budget is based on acceptance of the compact by all federal, state, and local agencies and subsequent legislative approval with a minimum of revision. It is anticipated that the commission will conclude its work during the ensuing fiscal year.

We recommend approval.

SAN FRANCISCO BAY CONSERVATION AND DEVELOPMENT COMMISSION

ITEM 282 of the Budget Bill

Budget page 967

**FOR SUPPORT OF THE SAN FRANCISCO BAY CONSERVATION AND DEVELOPMENT COMMISSION FROM THE
GENERAL FUND**

Amount requested	\$239,953
Estimated to be expended in 1965-66 fiscal year	184,450
Increase (30.1 percent)	\$55,503
Increase to improve level of service	None

GENERAL PROGRAM STATEMENT

The San Francisco Bay Conservation and Development Commission was established by Chapter 1162, Statutes of 1965. The commission is directed to study all matters relating to filling the tidelands and shoreline areas of San Francisco Bay and to prepare a plan for the development of the shoreline. The statute directs the commission to complete its plan and file a report in January 1969. In the interim period, the commission is authorized to issue permits to regulate filling or excavation of the bay. The commission consists of 27 members representing all levels of government and interests.

ANALYSIS AND RECOMMENDATIONS

Chapter 1162 appropriated \$184,450 for support of the commission during the current fiscal year. The current-year budget provides for a staff of 10, the operating expenses of the commission, and \$68,000 for contractual services to gather data and perform studies or prepare

San Francisco Bay Conservation and Development Commission—Continued

plans required to accomplish the commission's work. The budget for next fiscal year is \$239,953, an increase of \$55,503 or approximately 30 percent and, in general, represents extension of the budget provided for 9 months of the current year to cover 12 months' operation in the budget year.

Since its inception in October 1965 the commission has nearly completed organizing its staff and has held several hearings to act on permits for fill or excavation of the bay which have been submitted to it. A \$12,000 contract has been executed with a planning consulting firm to survey the planning data already available in the San Francisco Bay area, to determine the gaps in available planning information, and to prepare a program which will permit the commission to complete its assigned duties. The remainder of the \$68,000 available in the current year for contractual services has not been committed nor has the work for which it will be expended been designated.

The budget contains \$80,000 for contractual services during the next fiscal year. This budget estimate must finance a critical phase of the commission's work if it is to complete its assigned duties by January 1969. The commission is seeking to identify and utilize available information and, where possible, to secure information by coordination with other governmental agencies in order to secure the greatest benefit from available information. Because the commission has been in existence only four months and its preparations for its study program are incomplete, it is not possible at this time to determine whether the \$80,000 budgeted for contractual services next fiscal year will be adequate or whether more funds will be needed.

The Legislature has directed that the bay conservation and development study should be fully integrated with the study of waste water management in the San Francisco Bay and delta areas being prepared by the State Water Quality Control Board and other San Francisco Bay studies of state, federal and local agencies. Much of the information on the programs and budgets for the above studies is not now available, but will become available during the budget session. It is our intention to review the information becoming available on the budgetary requirements for all studies related to San Francisco Bay and to recommend to the Legislature a fully coordinated approach to the various interrelated San Francisco Bay studies to the extent information made available during the current session will permit.

Although we have identified no specific problems in the budget request of the San Francisco Bay Conservation and Development Commission, it is recommended that the Legislature not approve this request by itself but that it consider all requests for study funds related to the San Francisco Bay area and approve only a fully coordinated set of budgets for the various studies. We are making a similar recommendation for all other San Francisco Bay studies and related budgets.