

TAHOE REGIONAL PLANNING AGENCY

Item 182 from the General Fund

Vol. II p. 283 Budget p. 121

Requested 1971-72 -----	\$50,000
Estimated 1970-71 -----	80,000
Actual 1969-70 -----	20,000
Requested decrease \$30,000 (37.5 percent)	
Total recommended reduction -----	None

GENERAL PROGRAM STATEMENT

The Tahoe Regional Planning Compact was established by Chapter 1589, Statutes of 1967. The purpose of the compact was to coordinate and enforce planning between California and the State of Nevada to preserve and enhance the environment of the Lake Tahoe Basin. This compact has been adopted by California, Nevada and the Congress.

ANALYSIS AND RECOMMENDATIONS*Approval is recommended.*

This item appropriates \$50,000 from the General Fund for the Tahoe Regional Planning Agency as a contribution to the support of the agency in 1971-72. The agency will be adopting both interim and comprehensive regional plans for environmental controls in the Lake Tahoe Basin in the budget year.

The financial status of the agency is uncertain at this time because the Counties of El Dorado and Placer are disputing the legality of the agency and are withholding their contributions. The Nevada member counties are similarly unsure as to their course of action at this time. It is anticipated that the State of Nevada will contribute its share of \$25,000. With the contributions from the States of Nevada and California, it is probable that the Tahoe Regional Planning Agency will be able to perform minimal required duties in 1971-72. Some departments in the Resources Agency may aid the Tahoe Regional Planning Agency by performing activities in areas of mutual state and agency concern. This aid would have the effect of reducing the funding deficiency.

Fund Condition, California Environmental Protection Program Fund

The statement of fund condition for the California Environmental Protection Program Fund is located in the Governor's Budget under the general title of Special Resources Services and Studies, page 286, Volume II of the Program Budget. The fund was established by Chapter 779, Statutes of 1970, to receive the money from the sale of personalized license plates. New plates were authorized to be sold for an additional fee of \$25 and annual renewal was established at an additional \$10 fee.

At the time the legislation was approved, the estimates of prospective revenues varied from approximately \$1 million to \$7 million. In the 1970 session a variety of environmental bills carried appropriations from the Environmental Protection Program Fund when no General Fund money was available. These appropriations totaled \$2,059,368. Several continue without regard to fiscal year.

Tahoe Regional Planning Agency—Continued

The Controller's office indicated that on January 18, 1971, a total of \$338,075 had been deposited in the fund and that expenditures of \$148,368 had been made from the fund by the Department of Motor Vehicles to cover its administrative expenses and the cost of manufacturing the license plates. A later check with the Department of Motor Vehicles on January 22, indicated that the net balance available for expenditure had increased by only about \$60,000. The current small balance in the fund and the slow rate that new revenue is being received at this writing when license renewals are occurring and the sale of plates is peaking, indicates that the original revenue projections for the fund were substantially too high. It is possible that a net balance of approximately \$500,000 may be all that will be available to finance current appropriations amounting to more than \$2 million.

The budget for next year shows estimated expenditures from this fund of \$1,271,800 during the current year and \$1,066,094 in the budget year, some of which are new appropriations. It is, therefore, probable that most of the programs and agencies financed from this source last session or expected to be financed from this source in the budget year will not be funded unless other money is found. More specific information will be available at the time of budget hearings.

AIR RESOURCES BOARD

Item 183 from the
Motor Vehicle Fund

Vol. II p. 287 Budget p. 122

Requested appropriation 1971-72	\$3,569,601
Total Expenditures 1971-72 (Proposed)	6,399,601
Total Expenditures 1970-71 (Estimated)	6,536,795
Total Actual Expenditures 1969-70	1,856,587
Expenditure decrease \$137,194 (2.1 percent)	
Total recommended reduction	None

GENERAL PROGRAM STATEMENT

The Air Resources Board is responsible for carrying out the state's functions with respect to air pollution control. These functions include establishing and administering new and used car vehicle emission controls, establishing and administering an air monitoring program, establishing air quality standards, conducting air basin planning and research, reviewing and enforcing where necessary the standards and regulations of local air pollution control districts, and participating in state activities to secure and maintain air quality in the state.

The State Air Resources Board is composed of 14 members. Nine are appointed by the Governor and five are ex officio members who are directors of state departments. The board consolidates the operational duties of the former Motor Vehicle Pollution Control Board and the State Vehicular Pollution Laboratory with the Bureau of Air Sanitation from the Department of Public Health.

ANALYSIS AND RECOMMENDATIONS

We recommend approval.

There have been major changes in the sources of funding and amounts of money available to the Air Resources Board in the current and budget years. These changes make meaningful comparisons on a dollar basis between years very difficult. Total actual expenditures from all sources were \$2,744,534 last year. This figure increases to \$8,130,705 in the current year and is budgeted at \$7,199,601 in the budget year. However, purchasing of equipment during the current year for expansion of the air monitoring network, a one-time grant from the Highway Commission for a feasibility study of mandatory inspection of vehicle emissions, changes in federally funded grant and contract work, and uncertainties on the rate of expenditure of funds under the new air pollution research program cause the total expenditure figures to be misleading indicators of the general level of board activities.

The total number of state-supported positions increases from 81 in 1969-70 to 127 in the current year and 171 in the budget year. In addition, the board will have 41, 56 and 46 federally funded positions in the same three years. In general, salaries and wages plus operating expenses approximately double along with the doubling of state positions from the past year to the budget year. This doubling is a better measure of long-term program trends than the annual variation in total expenditures.

The estimated expenditures for the current year and the budget year are not very precise with regard to the \$9,250,000, three year research program authorized and funded by the Legislature last year in Chapter 1599 because the budget shows a distribution of the appropriated funds over a three-year period as provided in the bill, but the actual rate that acceptable projects for research will be received and approved by the board is not yet known. In addition, several significant new programs for the board were added last session and funded from the Environmental Protection Program Fund. Present indications are that the sale of personalized license plates will not meet expectations and therefore the money in this fund will not be available to finance most of the appropriations made to the Air Resources Board last session or those expenditures proposed to be made in the budget year from carryover appropriation authority. At the time of budget hearings more definitive information will be available on the funds available to finance work from the Environmental Protection Program Fund.

Last session, the Legislature dropped all General Fund support for the board from the Budget Bill and replaced it with Motor Vehicle Fund money. This was done because there was insufficient General Fund money available to meet all General Fund needs. In the long term there is a need to find a new source of funding for the board's work related to nonvehicular emissions control or to reinstate General Fund financing when General Fund money becomes available.

Last year this analysis recommended that the Legislature augment the board's support budget to provide for a program and policy staff to assist the board in the overall evaluation and planning of air pollu-

Air Resources Board--Continued

tion control in California. The Legislature added \$140,000 to the board's budget to provide for such a staff of eight positions. This staff has been established under the title of Evaluation and Planning Staff.

ACR 131 Study

Last year the Legislature also provided through ACR 131 that the Legislative Analyst undertake a study of the air pollution control problems in California and make recommendations for their solution and for needed organization changes in the board structure. That report has been completed and submitted to the Legislature. In general, it recommends that a full-time, five-member board consisting primarily of persons with expertise in the problems of air pollution control be established. Policy legislation will be required to implement this recommendation and if such legislation is adopted, additional financing will be required for the costs of the board membership. In addition, this analysis also recommended last year that a monitoring and surveillance program be initiated by the board and that the board begin developing an enforcement capability. Legislation adopted last session along with increased staffing requested by the board for 1971-72 are major steps in implementing these two recommendations.

The board's budget request for next year is reasonably responsive to the directives of the Legislature last session. It does not, however, propose any new programs or suggest any program expansion that has not already been included in some form of legislative directive to the board. Thus, there is no innovation or initiative in program or policy areas contained in the board's budget request. It is a budget based only on workload increases. In addition, it has not been possible for the board within the time available to evaluate its budget request in the light of the new federal legislation known as the Clean Air Amendments of 1970. This legislation will have major impact on the board's operations in the budget year, but the impact cannot be determined with sufficient accuracy at this time to be reflected in budgetary details.

New Positions Requested for 1971-72

The program budget does not provide a helpful format for use in understanding the new positions and the new funding requested by the board for next year. Table 1 shows information secured from the board which more clearly indicates the functions of the positions added in the current year and proposed for the next year.

Table 1 shows that the major increases requested next year are for work related to air quality data, inspection, investigations, and enforcement. There is a practical limitation on the number of new positions that can be added in any activity in a short period of time. The two-year approach adopted by the board appears reasonable and provides for a manageable rate of expansion.

The budget provides the staffing and funds for a substantial increase in the board's functions and workload. However, the budget does not reflect any program or policy decisions which spell out the way that the

Table 1
Air Resources Board, New Positions by Fiscal Year
(Excludes Vehicle Emissions Activities)

Activity	1969-70 base	Added by 1970 legislation	1971-72 workload
Air quality monitoring -----	24	12	0
Stationary source evaluation and inventory -----	5	3	8
Air quality data processing -----	6	1	6
Standards setting -----	4	1	4
Inspections and investigations -----	6	2	6
Enforcement -----	5	1	15
Research -----	0	5	0
Evaluation and planning -----	0	8	0
Administration -----	3	0	1
Public information -----	2	0	2
Administrative services -----	9	3	3

(This table shows the new positions by activity and does not include every new position being requested.)

positions will be used. Thus, for example, 24 new positions are budgeted in the current and budget years for inspections, investigations and enforcement activities. While a staff of this magnitude is undoubtedly needed, the board has not yet determined how this staff will be used and what the board's relationships will be with existing, highly skilled, local air pollution control districts or with new districts which are just being organized in rural areas.

Presumably, the board expects to perform considerable technical work for the rural districts, but there is no policy on how, when, and where this work will be performed, whether it will be a free service, or whether reimbursement will be required. As a result of the study performed by this office pursuant to ACR 131, it is reasonably clear that the new positions being requested are needed. The fact that the board members have not clearly spelled out how the positions will be used is typical of the problems now confronting the present part-time board and is one of the reasons our ACR 131 study recommends a full-time board.

Another current situation indicating the need for expediting decision-making has occurred in the new research program. The University of California is disappointed that it cannot proceed faster with the expenditure of \$750,000 allocated to it by Chapter 1599.

When the Legislature added \$140,000 for a program and policy staff last session, a position of assistant executive officer was included to supervise the program and policy staff and also to provide more administrative management capability. In the process of establishing the program and policy staff, its title was changed to evaluation and planning and a position of chief of evaluation and planning was substituted to supervise the activity. In view of the many new activities involving planning which state and federal legislation have placed on the board and its staff in the last year, this was a logical change.

The board intended to drop the position of assistant executive officer in its 1971-72 budget because the chief of evaluation and planning had been substituted for it. Due to an error in budgeting, both positions

Air Resources Board—Continued

remained in the budget. We believe that this was a fortuitous error in that both positions actually are needed. With 74 new positions being added in the current and budget years, the board needs a top-level management position to bring more management emphasis to its work as well as to provide for improved organization, procedures and increased efficiency. The board's staff presently tends to be several pools of manpower rather than having any very clearly designated responsibilities. With a smaller staff this was permissible, but the present size of the staff and the increasing number of management problems requires more high-level attention. It would, therefore, be advisable for the board to retain and fill the assistant executive officer position.

It should be noted that in the base of the board's present budget are four positions working on assembly line testing of new automobiles. The board also has several other positions involved in certification of emission control devices for new cars. As soon as it is determined when and to what extent the federal government will be assuming responsibility for these two activities, the above positions should be shifted to other work.

CALIFORNIA ADVISORY COMMITTEE

Item 184 from the General Fund

Vol. II p. 296 Budget p. 124

Requested 1971-72	-----	\$6,240
Estimated 1970-71	-----	6,000
Actual 1969-70	-----	2,982
Requested increase \$240 (4 percent)		
Total recommended reduction	-----	None

GENERAL PROGRAM STATEMENT

The California Advisory Committee was authorized by Chapter 1647, Statutes of 1965. The committee, which consists of an Assembly member, a Senate member, one member of the California Water Commission and four Governor's appointees, participates in planning for regional development of water resources and provides advisory services to the Western States Water Council, the Legislature and interstate commission members. Specifically, the committee is authorized to hold hearings and provide advice to both the Legislature and to members appointed by this state to the interstate organization participating in water planning among the western states. Members serve without compensation but are reimbursed for necessary expenses.

ANALYSIS AND RECOMMENDATIONS

We recommend approval.

The budget request for the Advisory Committee is \$6,240 in 1971-72. This amount is for operating expenses. The amount of activity is difficult to anticipate because the committee reacts to those planning activities and programs in the west which are important to California.

CALIFORNIA-NEVADA INTERSTATE COMPACT COMMISSION

Item 185 from the General Fund

Vol. II p. 297 Budget p. 124

Requested 1971-72 -----	\$27,500
Estimated 1970-71 -----	26,650
Actual 1969-70 -----	11,632
Requested increase \$850 (3.2 percent)	
Total recommended reduction -----	None

GENERAL PROGRAM STATEMENT

The California-Nevada Interstate Compact Commission is a seven-member commission created to cooperate with a similar commission representing Nevada in formulating an interstate agreement on the distribution of waters from Lake Tahoe and the Truckee, Carson and Walker Rivers. At this time, the California-Nevada Interstate Compact has been ratified by California and Nevada and final adoption is awaiting the consent of Congress.

ANALYSIS AND RECOMMENDATIONS

We recommend approval.

The budget request of \$27,500 for the commission in 1971-72 will continue approximately the same level of service as in 1970-71. The 1970 session extended the life of the commission and provided an augmentation to establish the present level of expenditure. The amount requested for next year consists of \$8,250 for travel expenses and \$19,250 for contract services provided by the Department of Water Resources.

Commission activities in the budget year will be directed toward: (1) resolving differences between the California and Nevada Commissions and federal agencies, and (2) presentation of the compact to Congress along with the required briefing, reports, and testimony necessary to support the compact before Congress. The commission anticipates that it will complete its work in late 1972 at which time it is scheduled for termination.

COLORADO RIVER BOARD

Item 186 from the General Fund

Vol. II p. 298 Budget p. 125

Requested 1971-72 -----	\$157,804
Estimated 1970-71 -----	255,655
Actual 1969-70 -----	293,645
Requested decrease \$97,851 (38.3 percent)	
Total recommended reduction -----	None

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

1. Self-support. Prepare a plan for substantial self-support as directed by the 1970 Conference Committee.

Colorado River Board—Continued

GENERAL PROGRAM STATEMENT

The Colorado River Board is responsible for the protection of the rights and interests of the state and its agencies and citizens to the water and power resources of the Colorado River System (Part 5 of Division 6 of the California Water Code). The board consists of six members, one each selected from the six southern California water districts having established rights to the water and power of the Colorado River.

ANALYSIS AND RECOMMENDATIONS

We recommend approval.

We further recommend that the Colorado River Board and the Resources Agency formulate a "plan" for substantial self-support as directed by the 1970 Conference Committee as a basis for preparation of the 1972-73 Budget.

The board represents California's interests at certain technical and policy conferences in California or in other states and with agencies of the federal government, and participates in various legislative, court and commission proceedings. The board is now a part of the Resources Agency and coordinates its activities with those of the Resources Agency, Department of Water Resources, the Attorney General's staff, and other state agencies. This coordination is intended to reduce the duplication of effort among these various groups, and to seek an agreed state position on Colorado River problems.

In the budget year the Colorado River Board will maintain approximately the same level of service as in 1970-71. Overall expenditures by the board prior to reimbursements are estimated at \$260,105 in 1970-71 and \$265,304 in 1971-72. A substantial reduction in the General Fund support for this program will occur in 1971-72 because \$107,500 will be provided as a reimbursement to the General Fund by the six-member agencies whose representatives make up the board. Thus, total General Fund support will drop from \$255,655 in 1970-71 to \$157,804 in 1971-72, a decrease of 38.3 percent.

This self-support contribution is in compliance with the language pertaining to the 1970 Budget Act in the Report of the Committee on Conference—June 29, 1970, which required "... member agencies to develop plan of substantial self-support." Although the substantial contribution to self-support has been included in the budget as directed, the amount of self-support has been established on a judgment basis. No "plan" has been established to explain the degree of self-support or to determine the extent of future self-support. Establishment of a plan which clearly defines financial responsibilities and determines the future course of General Fund support for this item should be required for the 1972-73 budget. This is essential for member agencies of the Colorado River Board to plan and formulate their budgets and for the Legislature to evaluate the reasonableness of reimbursements from member agencies.

DEPARTMENT OF CONSERVATION

Item 187 from the General Fund

Vol. II p. 303

Budget p. 127

Requested 1971-72	\$42,551,629
Estimated 1970-71	45,425,617
Actual 1969-70	43,308,081
Requested decrease \$2,873,988 (6.3 percent)	
Increase to improve level of service \$599,231	
Total recommended reduction	\$189,006

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

Analysis
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1. Air attack component. Recommend 13 additional assistant ranger positions for the airbases be established for one year only while the Division of Forestry investigates the use of the additional positions in other programs during the time of year when the airbases are closed. 404

2. *General Support. Reduce \$18,576 plus related expenses.* 408
Recommend funds for a departmental position to administer employee grievances be deleted. The department's approach does not remove causes of employee discontent.

3. Watershed and Fire Protection Program. Recommend department evaluate improved efficiencies and economies which could occur should the Division of Forestry expand its structural fire protection functions to eliminate present overlaps in services now provided by the division and local agencies. 409

4. *Forest, Range and Watershed Management Element.* 411
Reduce \$170,430. Recommend funds for the soil-vegetation survey be deleted based on reduced output and increasing federal costs.

GENERAL PROGRAM STATEMENT

The Department of Conservation exercises the state's responsibilities 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, plus management and service functions such as personnel and fiscal matters furnished for these divisions by the Executive and Management Services staff at the department level.

The Division of Forestry is the largest division and is responsible for over 90 percent of the department's expenditures. Almost all of that division's effort is directed toward providing fire protection services for the state responsibility, privately owned wildlands of the state or for local responsibility areas of the state pursuant to contracts with local government.

The Division of Soil Conservation provides limited project planning services to help solve soil and watershed problems.

The Division of Mines and Geology develops and publishes geologic information about the terrain and mineral resources of the state.

The Division of Oil and Gas regulates the drilling of oil, gas and geothermal wells.

Table 1
Department of Conservation—Support Expenditures

<i>Source of funding</i>	<i>1967-68</i>	<i>1968-69</i>	<i>1969-70</i>	<i>1970-71 ¹</i>	<i>1971-72 ¹</i>
General Fund (includes emergency fund allocations for fire suppression as shown in parentheses)-----	\$37,398,166 (1,365,150)	\$39,597,769 (1,417,000)	\$43,308,081 (1,500,000)	\$45,425,617 (3,138,000)	\$42,551,629 ² --
Petroleum and Gas Fund -----	1,037,359	1,099,770	1,167,528	1,288,321	1,393,997
Petroleum and Gas Fund—geothermal resources-----	--	3,000	12,600	15,750	15,750
Subsidence Abatement Fund -----	110,025	112,513	118,221	126,573	131,889
 Total expenditures as shown in Governor's Budget--	 \$38,545,550	 \$40,813,052	 \$44,606,430	 \$46,856,261	 \$44,093,265
Other expenditures—reimbursed -----	8,574,155	9,865,004	9,309,725	11,102,403	11,243,423
 Total budgeted expenditures-----	 \$47,119,705	 \$50,678,056	 \$53,916,155	 \$57,958,664	 \$55,336,688
Schedule C funds ² -----	2,153,149	2,580,000	3,353,909	2,627,006	2,627,006
 Total state-controlled expenditures -----	 \$49,272,854	 \$53,258,056	 \$57,270,064	 \$60,585,670	 \$57,963,694

¹ Estimated.² Estimated local funds expended for local fire suppression services as directed by the Division of Forestry.³ Includes minor capital outlay.

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. Statutory responsibilities of the department are in Divisions 1, 2, 3, 4, and 9 of the Public Resources Code.

Funding Sources

Table 1 indicates the annual expenditures from all sources by the department for a five-year period. The substantial amount of reimbursements shown in the table are mostly for local fire control services performed by the Division of Forestry, services to division employees and payments from the federal government for state protection of public domain lands. The Schedule C funds are for local fire protection services and related purchases made by the county or fire district as directed by the local Division of Forestry fire control officer.

The four General Fund support appropriations made to the Department of Conservation in the 1970 Budget Act have been condensed into one appropriation in the 1971 Budget Bill. The General Fund appropriation request of \$42,551,629 for next year is \$2,873,988 or 6.3 percent less than the estimated expenditures of \$45,425,617 in the current year. The difference is due mostly to \$3,138,000 in estimated Emergency Fund expenditures in the current year that do not appear in the budget year. Also, the revision in the budget format adds \$200,000 for minor capital outlay to support costs in the budget year. Minor capital outlay was a separate appropriation for 1970-71. If the budget is placed on the same basis as the current year, there is a slight increase of \$64,012 in General Fund expenditures.

The Division of Oil and Gas is supported from special funds and is requesting appropriations of \$1,541,636.

Program Changes

In June 1970, when the budget was before the Legislature, revised revenue estimates for the General Fund indicated reductions in expenditures were required to achieve a balanced budget for 1970-71. As a result, the Legislature made a number of adjustments in the budget including an unallocated reduction of \$1,400,000 for the Department of Conservation. As a result of this reduction, the department has made changes in its operations during the current year as follows:

1. Closed the Division of Forestry District 3 Headquarters in Sacramento.

2. Eliminated an assistant camp superintendent position at each of 33 conservation camps.

3. Eliminated 19 fire crew foreman positions due to reduced inmate populations at conservation camps.

4. Consolidated 10 ranger units into five.

The 1971-72 budget reflects more currently the changes occurring in the local government fire protection program. There is an increase of 81.4 positions in this program in the actual and current years. Formerly, any known position changes in the program were not shown in the budget until the actual year. Because various local governments

Department of Conservation—Continued

will reimburse the state \$764,231 for the costs of this added staff which performs a local function, previous budgets have not accurately shown positions or reimbursements.

For 1971-72, the budget includes program changes as follows:

1. Increased staffing for air attack bases, \$238,789.
2. Increased staffing, training and consultant assistance for dispatching, \$360,442.
3. Closing five conservation camps by the Department of Corrections for savings of \$250,265 to the Department of Conservation.

The above program changes are the more important organizational changes that have occurred in the department and Division of Forestry since last July. As a consequence, the administrative structure of the division is much leaner than before and workload and staffing in the field has been more evenly distributed among the ranger units. The improved retirement system enacted last session by the Legislature for most division employees has assisted in the adjustment process and provided some morale improvement. Nevertheless, the organizational changes have not occurred without considerable disruption for many employees. In addition, last fall was one of the worst fire seasons in the state's history and immediately thereafter some division employees had to provide fire protection services for the City of Sacramento while the city firemen were on strike.

Position Changes

There are currently 3,621.8 authorized positions in the department. The budget identifies position changes as follows:

1. New positions administratively established in the current year and continued in the budget year.....	91.6
2. Administrative reductions of positions during the current year	(127.7)
3. Proposed new positions for 1971-72	55.8

Increase in positions 19.7

The budget proposes authorization of 3,641.5 positions for 1971-72.

Excluding the 81.4 added positions for the local government fire protection program, there is a reduction of 61.7 positions for state responsibility programs.

The department's programs are as follows:

1. Watershed and Fire Protection
2. Geologic Hazards and Mineral Resources Conservation
3. Oil, Gas and Geothermal Protection
4. General Support—distributed to programs.

ANALYSIS AND RECOMMENDATIONS**WATERSHED AND FIRE PROTECTION**

The objectives of the Watershed and Fire Protection program are to develop the private and state-owned watershed lands and water resources and protect these resources from destructive natural and human impacts. Total program expenditures in the budget year are estimated to be \$52,165,896 compared to estimated expenditures in the

current year of \$54,845,922. The current year includes extraordinary expenditures of \$3,138,000 from the state's Emergency Fund to control and suppress the disastrous fires that plagued the state last fall. The program consists of the following elements: fire prevention; fire control; fire protection, local government contract; forest, range and watershed management; conservation camp; civil defense and other emergencies; local development assistance; and general support distribution. The program includes the functions of the Divisions of Forestry and Soil Conservation. Major changes occur in fire control, state responsibility; fire protection, local government contract; and conservation camps.

Fire Control, State Responsibility

The fire control, state responsibility program element is the largest expenditure of all activities in the Department of Conservation. Budget year expenditures are estimated to be \$30,573,457 compared to estimated expenditures of \$32,733,084 in the current year.

Section 4125 of the Public Resources Code requires the State Board of Forestry to classify all lands within the state to determine those areas in which preventing and suppressing fires is primarily the responsibility of the state. Lands covered wholly or in part by timber, brush, undergrowth or grass that protect the soil from excessive erosion are state responsibility lands as well as contiguous range lands.

There are approximately 100 million acres in the State of California of which about 33,500,000 acres are state responsibility land. The division, itself, directly protects 24 million acres from fire and pays the U.S. Forest Service by contract for the protection of 5.2 million acres. It also pays the five counties of Los Angeles, Santa Barbara, Ventura, Kern, and Marin to protect 4.3 million acres. The average cost to the state of protecting state responsibility lands is about \$1.05 per acre.

The field organization of the Division of Forestry is divided into five districts and 22 ranger units. There are 234 forest fire stations located in those ranger units, plus 77 lookouts, 13 airbases for airtankers and two helicopter bases for helitack crews. The division has about 1,750 permanent employees in fire crew position classes and hires about 1,900 seasonal firefighters to man the forest fire stations and the fire trucks. The 28 conservation camps budgeted for 1971-72 house the inmates of the Department of Corrections and the wards of the Youth Authority and provide a large reservoir of 2,500 men for campaign fire purposes.

Air Attack

The Division of Forestry contracts with private airtanker operators to assure the availability of tankers at specific locations and to pay for their flight time on fires. During the current year, the division has contracted for the assignment of 21 airtankers at 13 airbases. Six of these bases are joint operations with the U.S. Forest Service which also operates its own airbases at seven other locations. Estimated expenditures on air attack for the budget year are \$1,994,693 compared to \$2,806,743 in the current year. The current year expenditures include \$1,112,089 from the Emergency Fund for fire retardants and the rental of aircraft.

Department of Conservation—Continued

The budget includes an increase of \$140,393 or 15 percent in the amount the division guarantees the private airtanker operators for the availability of aircraft at the airbases and for minimum flight time. The budget year amount for rental of aircraft is \$1,026,153 compared to \$885,760 in the current year. Flight time, if any, beyond the minimum guarantee is paid from the Emergency Fund.

Staff Increase for Airbases

We recommend 13 additional assistant ranger positions budgeted for the air attack bases be established for one year only while the Division of Forestry investigates the use of these additional positions in other programs during the time of year when the airbases are closed.

The budget includes funding of \$238,789 for increased staffing at the division's 13 airbases. That amount includes \$149,027 for 13 new assistant forest ranger positions to supervise airbase activities and, from light aircraft, to coordinate the aerial actions with those of ground forces. The balance of the added funding, \$89,762 is to provide 14.5 man-years of seasonal firefighters at the airbases to mix and load retardants, keep record of tanker flight time and maintain the bases.

At the present time, the Division of Forestry uses budgeted seasonal forestry foremen to supervise the bases. Seasonal firefighters are borrowed from nearby forest fire stations to mix and load retardants. The requested 14.5 man-years of seasonal firefighters would, in effect, restore that amount of effort in the ground attack program at the fire stations to man firetrucks. The increase in seasonal firefighters is justified on the basis of workload.

There is a need for the assistant ranger positions at the airbases during the fire season. The airtankers are costly tools. Capable management should be on hand to see that the equipment is utilized properly and that work hazards are minimized. The airbases, however, are only in operation from June 15 through November (5½ months) in southern California and from July through October (4 months) in the remainder of the state. There is little need for the assistant rangers when the airbases are not in operation.

At the present time, the Division of Forestry is experiencing major organizational changes involving substantial shifts of assignments and some elimination of positions. To assist the division in its goal of accomplishing the changes without layoffs, we recommend the new assistant ranger positions at the airbases be approved for one year. In that year's time, the division can evaluate the seasonal workload of the assistant ranger positions at the airbases to see if the positions can be utilized in other activities when the airbases are not in operation. For example, some assistant rangers in the division have a heavy workload year around in the local government fire protection program. The assistant rangers on the local government assignments in such counties as Orange and San Bernardino have no respite year around from extended duty weeks and major responsibilities for protection of life and property. Some equalization of workload is in order.

Also, in the year's time the division can review staffing needs at the six airbases where the division and the U.S. Forest Service have joint operations. Some pooling of manpower may be in order at these bases.

Dispatch and Communications Increases

The Division of Forestry has a statewide communications system with dispatch centers at 21 ranger unit headquarters, five district offices and the division headquarters in Sacramento. The system provides voice channels to division installations throughout the state and to practically all its mobile equipment and the airtankers under contract to the division. Expenditures for dispatch and communications in the budget year are estimated to be \$2,553,184 compared to \$2,319,087 in the current year.

The Division of Forestry's budget for 1969-70 included \$50,000 for a feasibility study of automating the division's dispatching function. A private consulting firm made the study and issued a final report in June 1970. The budget includes \$360,442 in added funding for a number of improvements to the existing dispatching system, as recommended by the consultant's report, to increase effectiveness and to facilitate eventual automation. Of the additional funds, \$305,872 is to add 28 dispatch personnel, including 21 captains (foremen) at ranger unit headquarters, four captains at district headquarters, a ranger I in the division headquarters in Sacramento, and two assistant rangers for dispatch training at the division's fire academy. The balance of \$54,570 will provide consultant assistance in the development of uniform procedures, forms and aids and for dispatch console modification and some additional miscellaneous equipment.

The added positions will provide uniform staffing of state-financed dispatch personnel in the district headquarters and the ranger units. Local governments also finance dispatch personnel at some ranger units where the state provides local services. The division needs to develop uniform standards concerning the requirements for locally financed dispatch personnel in its local government contracts to make sure each local government finances its share and all local governments are treated equitably.

Emergency Fund Expenditures

In the summer and fall of 1970, the state experienced a number of disastrous fires. The major fire control agencies in the state, the U.S. Forest Service, the California Division of Forestry and the Los Angeles and Ventura County Fire Departments all experienced campaign fires that the agency of primary responsibility was unable to control until climatic conditions had changed or the fires had run out of fuel. The budget indicates \$3,138,000 is estimated to be allocated from the Emergency Fund to the department during the full year. The department's expenditure analysis statement of December 1970 itemizes expenditures of \$2,900,000 for emergency purposes made up to that time. The major categories of expenses are as follows:

1. Rental of aircraft.....	\$609,306
2. Fire retardants	502,783
3. Emergency fire fighters and contract labor.....	515,880
4. Subsistence and housing.....	400,798
5. Rental of dozers and transports.....	308,698
6. Rental of miscellaneous equipment.....	222,031
7. Emergency revegetation	196,973

Department of Conservation—Continued

The budget estimates revenue in 1971-72 of \$1,000,000 for federal disaster relief under Public Law 81-875. Requests for additional disaster funds which the department has made under Public Law 91-79, Disaster Relief Act of 1969, have been denied.

Reduced Duty Week

The department has announced its support for legislation to be introduced this session to reduce the length of the duty week from 96 hours to 84 hours for permanent field personnel of the Division of Forestry. The department indicates the reduction will be made without increased cost to the state by reducing nighttime standby requirements at fire stations during the fire season. As discussed on page 408, the reduced duty week will likely increase costs to those local governments which have division employees providing local fire protection services.

Contracted Protection

Although the Division of Forestry provides most of the fire protection services on state responsibility areas, the division contracts with five counties and with the U.S. Forest Service to have those agencies provide state services on lands designated as state responsibility. In prior years there have been separate appropriations for these contract payments. In the budget year the amounts to be paid the counties and the U.S. Forest Service are included within the support appropriation for the department.

U.S. Forest Service Contract

There are approximately 5.2 million acres of state responsibility lands within the national forest areas of California. To prevent duplication, the Division of Forestry contracts with the United States Forest Service for the latter agency to provide fire protection services on the state responsibility lands situated within the national forests. The Division of Forestry in turn provides fire protection services for some portions of the national forests. Each year the state pays the U.S. Forest Service the net cost for protecting state lands by the forest service which is not offset by the cost of national forest land protected by the state. The budget includes \$1,709,674 for the U.S. Forest Service in 1971-72 compared to \$1,697,585 in the current year.

Five Outside Counties

Section 4129 of the Public Resources Code provides that the board of supervisors of any county shall have the power to assume the responsibility for fire prevention and suppression on state responsibility lands. Section 4132 of the same code provides that when the county supervisors decide to furnish the fire suppression services on state responsibility areas, the state shall pay the counties for performing the fire suppression services. Marin, Kern, Santa Barbara, Ventura and Los Angeles Counties have elected to assume the state responsibility within their respective boundaries. The state has entered into a contractual agreement with these five counties and reimburses them for performing a state responsibility.

Item 187**Conservation**

The budget includes \$2,930,304 to be allocated to the five counties in 1971-72 compared to \$2,913,253 in the current year. The allocations are as follows:

1. Kern	\$729,695
2. Los Angeles	1,144,777
3. Marin	235,639
4. Santa Barbara	399,948
5. Ventura	420,245
Total	\$2,930,304

In addition to providing these allocations of funds to the outside counties to perform state responsibility fire protection services, the division also dispatches to the counties, at their request, airtankers, conservation camp crews and firetrucks for fire suppression purposes. The salaries and expenses of division employees assisting in suppressing fires in the five counties are financed by the division's support appropriation. However, on serious campaign fires, such as those of last fall, the expenses of airtankers, retardants, state employees' subsistence and overtime of conservation camp crews utilized in the five counties are financed through the state's Emergency Fund. The department's expenditure analysis statement for December 1970, indicates recorded expenditures for emergency fire suppression purposes in the five counties as follows:

1. Kern	\$132,765
2. Los Angeles	148,010
3. Marin	1,663
4. Santa Barbara	None
5. Ventura	109,729

The five counties also assist the Division of Forestry on state fires. In general, over a period of time the Division of Forestry provides more assistance to the five counties than it receives and for which no payment is expected.

Minor Capital Outlay

The revised support budget format includes \$200,000 for minor capital outlay projects for the Division of Forestry. The same amount was appropriated in a separate item for the current year.

The department has been unable to expend the \$200,000 appropriated for minor capital outlay in the current year because of the freeze on capital outlay expenditures. The department indicates that the projects to be financed from minor capital outlay in the budget year are uncertain because they may actually be the 1970-71 projects deferred one year.

The budget includes no funds for Department of Conservation major capital outlay.

Fire Protection, Local Government Contract

Section 4142 of the Public Resources Code authorizes the State Forester to enter into cooperative agreements as he deems wise. In 25 counties, the boards of supervisors contract with the State Forester to have the Division of Forestry provide some degree of local fire protection services.

Department of Conservation—Continued

The Fire Protection, Local Government Contract program element includes those fire protection services provided by the state which are the legal responsibility of local government. Most of these services are performed on rural, agricultural lands, but some are in highly urbanized, developed areas. Total reimbursement to the state for providing local fire protection services in 1971-72 is \$9,275,022, which consists of \$8,419,209 in direct costs and \$855,813 in administrative costs.

This year the budget reflects the increasing attention the department is devoting to the local government program. First, the budget shows more currently the position changes in the program. Over the two-year period of 1969-70 and 1970-71, 81.4 additional positions costing \$764,231 were added to the program, as requested by local government.

Second, the amount of administrative charge which the counties reimburse the state will be increased to reflect actual state costs. The amount reimbursed the state in 1971-72 is budgeted at \$855,813 compared to \$330,000 in the current year. As directed by the Supplementary Report on the 1970 Budget Bill, the department has budgeted the administrative charge to the contract counties on a pro rata basis utilizing its program time reporting system. The department has indicated the administrative charge for 1971-72 will be 10.5 percent and has so notified the 25 boards of supervisors.

Probable Increased Local Costs for Reduced Duty Week

The department's proposal to reduce the duty week from 96 hours to 84 hours for permanent personnel of the Division of Forestry will result in increased costs to local governments in the budget year if the same level of service is maintained. The function of the local government program is protection of structures and improvements which means there should be personnel on 24-hour standby each day of the year. Based on the budgeted costs of \$9,275,022 in the local government program in 1971-72 for a 96-hour duty week, there will be an increased cost to local government of \$1,298,503 in the budget year to finance the same level of service under a duty week reduced to 84 hours. Most of these increased costs will occur in the counties with large contracts, such as Orange, Fresno, Tulare and Riverside.

Status Quo in Fresno and Orange County Negotiations

We recommend \$18,576 plus related expenses for a departmental position to administer employee grievances be deleted.

Last year the Supplemental Report on the Budget Bill recommended that the department and the Division of Forestry begin discussions with Orange and Fresno Counties to consider the feasibility of achieving an orderly transfer from the state to the local agencies of the local fire protection services in those two counties where the services are now performed by the state. The conference committee recommendation stemmed from our suggestion in the Analysis that it is undesirable for the state to perform local fire protection services at working standards substantially below those of neighboring local or municipal fire departments. The practice breeds dissatisfaction among division employees

and creates pressures on the division to provide wildland fire protection services at standards equivalent to municipal fire departments.

State representatives have met on one occasion with representatives of each of the two local agencies. The department has not yet issued its report on the meetings. In general, there is satisfaction on both sides with the present arrangement. The department indicates there is no desire on the part of either state or local officials to have the Division of Forestry withdraw from providing services in the local responsibility areas of those two counties.

The inequities in the local government program have contributed to overall employee discontent of such a magnitude that the department is establishing a new position in the Executive Management Services staff to administer employee grievances. We believe that the department should remove one of the primary causes of employee discontent by aggressively pursuing the suggestion in the Supplemental Report to discuss withdrawing from the two most troublesome areas, i.e., at least the urban areas of Fresno and Orange Counties.

The department is establishing the new grievance position by converting a vacant assistant deputy forester position. It is therefore recommended that the vacant assistant deputy forester position be removed for a savings of \$18,576 plus related expenses.

Suggested New Role for the Division of Forestry

We recommend the Department of Conservation be directed to evaluate the improved efficiencies and economies which would occur should the Division of Forestry expand its structural fire protection functions and assume the structural fire protection responsibilities of local agencies now operating in state responsibility areas (exclusive of the five outside counties) and any adjacent agencies which may wish to secure rural fire protection services from the division.

The foregoing discussion of the division's state and local fire protection services indicates that the fire suppression activities of the Division of Forestry are at a critical juncture because:

1. General Fund money is not available to meet the costs of improved working conditions and reduced duty weeks and still support an improved retirement system and higher operating costs.
2. During a severe fire season, such as last fall, the division no longer has any reserve capacity.
3. The improved dispatching system will provide the capacity for better state and local coordination of fire activity.
4. In some areas of Fresno and Orange Counties the division is providing an urban type of fire protection service which it was never organized to do.
5. Hiring a grievance officer will not solve the problems of employee morale arising from basic uncertainties and lack of definition in the role of the Division of Forestry with respect to structural fire protection services in urban areas.

In addition, other problems are confronting the state:

1. The division has never been recognized as a structural firefighting agency when in fact it is.

Department of Conservation—Continued

2. Overlaps in the division's wildland and structural firefighting roles occur when local fire agencies are organized in rural areas to provide structural protection. An estimated 268 fire districts have been organized on lands which the division also protects.

3. Maximum efficiency would occur from eliminating the duplicating efforts where possible of division and local structural fire suppression equipment.

4. Many timbered areas of the state make no direct property tax payment for local protection because of the constitutional timber tax exemption (Article 13, Section 12 $\frac{1}{2}$) and because of statutory exemption. (Section 13821, Health and Safety Code).

5. The division is restricted as a practical matter in carrying out its wildland protection mission by the necessity of first protecting life and improvements which is primarily a structural type of protection.

6. The division is developing increasingly expensive firetrucks with both structural and wildland firefighting capability.

7. The foothill and mountain areas are increasingly becoming the site for second homes and other structural developments.

A reasonable solution to these problems appears to be for the Legislature to establish a new statutory role for the Division of Forestry. This role would give the responsibility for both structural and wildland fire protection to the Division of Forestry for all state responsibility lands and adjacent rural areas that wished to receive this year-around protection. The division would expand its protection work in wildland and rural areas and withdraw from urban areas. This would permit establishing a lower duty week and higher wages suitable for rural and wildland areas, but not as high as in urban areas. Thus the division would not undermine urban fire agencies nor try to match their working conditions but would establish a new level of working conditions more suitable to its actual work.

The added cost to the state should be borne by the property serviced including all protected lands and improvements and presently exempt timberlands. The charge would encourage small, inefficient rural fire agencies to disband in favor of state protection and thus provide a stronger fire protection force at less overall state and local cost. A study by this office, soon to be released, indicates that a moderate amount of revenue for this purpose can be raised by a variety of approaches. The major remaining unknown factor of great significance is the extent to which consolidation of overlapping and duplicating rural and wildland structural firefighting forces could increase efficiency and improve service. This evaluation would have to be made by the Division of Forestry.

It is recommended that the department be directed to evaluate the improved efficiencies and economies which would occur should the division expand its structural functions and assume the structural fire protection responsibilities of all local agencies now operating in state responsibility areas (exclusive of the five outside counties) and any adjacent agencies which may wish to secure rural fire protection services from the division.

Forest, Range and Watershed Management

The forest, range and watershed management program element is designed to promote the development and proper utilization of the state and privately owned forest, range and watershed land. Expenditures in the budget year are estimated to be \$2,176,930 compared to current year expenditures of \$2,137,870. The components of this program element include forest pest protection, reforestation and forest nurseries, wildland soil and watershed management, brush range improvement, forest practices, forest advisory services and state forests. State revenue from nursery sales and the sale of forest products from the state forests is estimated to be \$1,950,000 in the budget year compared to \$1,450,000 in the current year and \$1,814,816 in 1969-70.

Forest Practice Act

Last year in the analysis we recommended that the Forest Practice Act be made self-supporting. The Supplementary Report on the 1970 Budget Bill recommended that the Forest Practice Act be made more nearly self-supporting. The budget indicates the cost to administer the Forest Practice Act in 1971-72 will require 19.6 man-years of effort and \$363,318 in expenditures. The revenue from timber operators' permits and renewal fees is budgeted at \$14,120. The department indicates that legislation will be introduced in this session to raise the original permit fee from \$15 to \$50 for most timber operators and the renewal fee from \$15 to \$25. The department indicates this proposal would provide additional General Fund revenue of about \$16,000.

As we pointed out last year, additional revenue could be raised by a fee based on the volume of timber cut. With the estimated total volume of private timber logged each year being 2.8 billion board feet, \$336,000 in revenues could be raised with a volume fee of 12 cents per thousand board feet. One year ago, the estimate of the commercial value of logged timber was \$30 to \$60 per thousand board feet.

Wildland Soil and Vegetation Survey

We recommend \$170,430 budgeted for the cooperative soil-vegetation survey be deleted based on reduced output and increasing federal costs.

The State Cooperative Soil-Vegetation Survey is concerned primarily with the privately owned wildlands of the state. The cooperative agencies are the U.S. Forest Service Experiment Station at Berkeley, the Department of Agronomy at U.C., Davis, and the Department of Soils and Plant Nutrition at U.C., Berkeley. The survey and mapping is done by the U.S. Forest Service. The University of California provides soils analyses and greenhouse and field plot tests. The end products are soil and vegetation maps which are printed and sold by the U.S. Forest Service to recover its printing costs. The maps are useful to land managers.

The work is financed with state funds appropriated to the Department of Conservation, Division of Forestry. The budget includes \$170,430 for the project in 1971-72. Of that amount, \$142,675 will be paid to the United States Forest Service and \$27,755 to the University of California.

Department of Conservation—Continued

The program has been conducted since 1947 with an appropriation almost every year. To date 9,103,500 acres have been surveyed in 15 counties and there remain 502,000 acres to survey in four counties and mapping of about 2,000,000 acres to complete the total project.

The Division of Forestry indicates that the remaining 502,000 acres can be surveyed and all the mapping completed by the end of the 1975-76 fiscal year. The total estimated cost to finish the survey and mapping from the budget year 1971-72 through fiscal year 1975-76 is \$795,578.

The work progress has slowed in recent years as the cost, mostly for increased salaries for federal employees, has increased. Payments to the U.S. Forest Service have increased from \$107,251 in 1968-69 to \$142,675 in the budget year. Payments to the University of California have remained level. Last year the budget indicated that 250,000 acres would be mapped in 1970-71. The Governor's Budget for 1971-72 has revised downward the estimate of acres mapped in 1970-71 to 153,000 acres and estimates 150,000 acres mapped in 1971-72. There are some difficulties involved with the revised standards of soil testing specified by the U.S. Soil Conservation Service.

In view of the slowdown in mapping activity and the relatively large cost involved, we bring this activity to the attention of the Legislature to determine whether the long-term completion of the survey and mapping is justified for the expenditure of approximately \$800,000 in General Fund money. Because of the current shortage of General Fund money, we recommend \$170,430 budgeted for the survey in 1971-72 be deleted.

Due to budget restrictions since 1967, the Division of Forestry has eliminated all of its cooperative and research projects in forest, range and watershed management except for the cooperative soil-vegetation survey. The division has continued to budget funds for the survey so as to complete the original project.

Conservation Camps

The Conservation Camp program element has a dual objective. The first is rehabilitating and training the inmates of the Department of Corrections and the wards of the Youth Authority. The other is performing important conservation work and providing an emergency capability for the Division of Forestry and the State of California.

In the current year, there are 29 adult conservation camps and four youth conservation camps in operation. These camps have a capacity of about 2,700 adult inmates and youth wards. The typical camp houses 80 inmates and provides kitchen and warehousing facilities. A staff of 10 Division of Forestry personnel and six Department of Corrections or Department of Youth Authority personnel supervises the work and rehabilitation.

The Governor's Budget identifies \$4,177,386 as estimated expenditures on the Conservation Camp program in the budget year compared to \$4,509,703 in the current year. In addition, \$1,425,227 in costs of the conservation camp operations are distributed to Division of Forestry programs for watershed and fire protection work.

During the current year, the department has tightened the staffing at the conservation camps by eliminating the assistant superintendent position at each of the 33 camps. Also, there has been some decline in inmate populations at the camps and 19 foreman positions were deleted on a workload basis.

In the budget year five adult conservation camps will be closed. The Department of Corrections indicates that over a period of time there has been a reduction in the number of acceptable inmates to draw upon for placing in the minimum security conservation camps. The Departments of Correction and Conservation have decided to close the following camps:

1. Eel River	Humboldt County
2. Parlin Fork	Mendocino County
3. Alder	Del Norte County
4. Plum Creek	Tehama County
5. Vallecito	Calaveras County

These five camps presently have a population of 340 inmates. In order for the Division of Forestry to retain its inmate emergency capability, 110 of the inmates will be relocated to six of the remaining camps to fill them to capacity and the balance of 230 inmates will be relocated to the three conservation centers. The division will still be able to draw from the conservation centers for the use of inmates in emergency purposes. The fire crew foremen will be transferred with the inmates. For the Department of Conservation, the closure of the camp will result in the elimination of five camp superintendent positions and five equipment operators. The savings to the department will be \$250,265.

Local Development Assistance

The local development assistance program element is budgeted for \$235,560 in 1971-72 compared to estimated expenditures in the current year of \$228,641. The services are performed by the Division of Soil Conservation.

In the current year, the division directed almost all its efforts toward defining the problems of the soil and vegetative mantle of the state as requested by the Supplementary Report on the 1970 Budget Bill. The division is also completing a report on the environmental impact of urbanization on the soil and vegetative mantle of the foothill and mountainous lands. The remaining effort of the division will be spent on assisting local agencies in preliminary investigations of proposed Public Law 566 Small Watershed Projects and completing work plans presently under preparation.

Although the reports on the problems relating to the soil and vegetative mantle of the state have not yet been submitted, the program description of the division's activity indicates a direction toward local government assistance in land use matters. As important as that effort may be, the division is a state agency and should be primarily concerned with identification of statewide problems regarding the soil and vegetative mantle and suggestions for a state role in solving those problems.

Department of Conservation—Continued**GEOLOGIC HAZARDS AND MINERAL RESOURCES CONSERVATION**

The stated objective of the Geologic Hazards and Mineral Resources Conservation program is to conduct geological investigations on a priority basis to identify and provide timely delineation of geological hazards and to identify and assist in the use of mineral resources, both offshore and onshore, consistent with wise conservation practices. The Division of Mines and Geology has revised its program budget format to include two program elements: (1) environmental and economic geology, and (2) geologic data. The first is primarily the gathering of geologic data. The second is the publication and dissemination of the data.

Total program expenditures in the budget year are estimated to be \$1,612,540 compared to estimated current year expenditures of \$1,665,482. The division obtains reimbursements from some local agencies on cooperative geologic hazard investigations as well as from such federal agencies as the Geological Survey. Budget year reimbursements are estimated to be \$139,109.

In recent years the division has shifted emphasis to the gathering of data to assure public safety from geologic hazards.

OIL, GAS, AND GEOTHERMAL PROTECTION

The Oil, Gas and Geothermal Protection Program is performed by the Division of Oil and Gas, a special fund agency supported by charges on operators of producing oil, gas and geothermal wells through the Petroleum and Gas Fund and the Subsidence Abatement Fund. Budget year expenditures are estimated to be \$1,558,252 compared to \$1,447,260 in the current year. The division supervises the drilling, operation, maintenance and abandonment of oil, gas and geothermal resources wells and the repressuring operations for the abatement of land subsidence in the Wilmington area.

The budget includes additional funding of \$72,650 in operating expenses and equipment to convert the manual system of oil and gas production statistical data to data processing, to convert the enormous number of well and drilling records to microfilm and to equip six vehicles with mobile radios to facilitate communication between field personnel and the district office.

Offshore Regulatory Unit

Last year the budget included additional funding of \$50,317 to establish an offshore regulatory unit consisting of three man-years of effort in the Division of Oil and Gas. The unit was established to regulate the drilling operations performed by private operators who have contracted with the State Lands Division for drilling on state-owned tidelands. In the current year there has been a moratorium on offshore drilling with the exception of one lease approved by the State Lands Commission offshore from Orange County. According to the division, the unit during the current year has been developing useful geologic maps and has been investigating and reviewing the equipment and safety devices used in offshore drilling. The need for the offshore unit depends on the level of activity in offshore drilling. If the moratorium continues, the unit will not be needed.

GENERAL SUPPORT

The general support activity includes executive and support services necessary to carry out departmental programs. The department has allocated \$4,266,672 for these costs in the budget year compared to \$4,267,350 in the current year. The general support costs include the expenses of the Executive and Management Services staff in the director's office and the executive and staff services provided in each of the four divisions. The department provides accounting, budgeting and personnel services for the divisions.

During the current year, the department converted two positions in the Division of Forestry to positions in Executive and Management Services. One is primarily for preparing a departmental publication for employees. The other was established temporarily to provide communication between the director and various employee groups but is now being converted to permanent status to administer employee grievances. On page 408 we recommend funds for the latter position be deleted on the basis that the department's approach does not solve the problems which cause the employee discontent.

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

Items 188, 189 and 190 from the
Petroleum and Gas Fund and the
Subsidence Abatement Fund

Vol. II p. 314 Budget p. 127

Requested 1971-72 -----	\$1,541,636
Estimated 1970-71 -----	1,430,644
Actual 1969-70 -----	1,298,349
Requested increase \$110,992 (7.8 percent)	
Increase to improve level of service \$72,650	
Total recommended reduction -----	None

GENERAL PROGRAM STATEMENT

Three Budget Bill items appropriate funds for support of the Division of Oil and Gas as follows:

Item 188, \$1,393,997, Petroleum and Gas Fund.

Item 189, \$15,750, Petroleum and Gas Fund—Geothermal Resources Account.

Item 190, \$131,889, Subsidence Abatement Fund.

The Division of Oil and Gas is a special fund agency supported by charges on operators of producing oil, gas and geothermal wells. The division is charged with the responsibility of regulating the drilling of oil, gas and geothermal wells and supervising the repressuring operations at Wilmington for subsidence abatement.

ANALYSIS AND RECOMMENDATIONS

We recommend approval.

The discussion of the programs of the Division of Oil and Gas appears in the program analysis of the Department of Conservation, Item 187, on page 414.

STATE LANDS DIVISION

Item 191 from the General Fund

Vol. II p. 332

Budget p. 131

Requested 1971-72	\$1,520,800
Estimated 1970-71	1,760,440
Actual 1969-70	1,725,546
Requested decrease \$239,640 (13.6 percent)	
Total recommended increase	\$100,000

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

Analysis
page

1. Nonextractive Development. *Augment by \$12,500.* We 417
recommend that the nonextractive development activity be augmented to provide one additional associate land agent position.

2. Environmental Impact Reports. *Augment by \$50,000.* 417
We recommend a \$50,000 increase in the division budget to allow preparation of environmental impact reports, which are required before new leases may be let.

3. Ownership Determination. *Augment by \$37,500.* We 418
recommend an augmentation of \$37,500 to allow the division to retain three technical positions to enable boundary determination work to proceed in certain high-priority areas.

4. Consolidation of State Lands Division Offices. We rec- 420
ommend that the division assess the feasibility of consolidating the present three major offices into two locations, preferably with the headquarters in Sacramento.

5. Queen Mary and Long Beach Operations. We recommend 431
(1) that the Legislature terminate the sharing of tidelands oil revenues with the City of Long Beach as soon as the projects now under construction have been funded; (2) that the State Lands Commission be directed by the Legislature to expedite the allocation of costs on the Queen Mary; (3) that the State Lands Commission be directed to take any necessary legal action to prevent any future expenditures of tidelands revenues on the Queen Mary which do not clearly comply with the provisions of Chapter 138; (4) that the State Lands Commission reevaluate its controls over the East Wilmington Tideland Development and report to the Legislature as soon as possible its proposals to improve field management, budget preparation, documentation and implementation procedures including recommendations for legislation to insure adequate protection of the state's economic interest; and (5) impose the most stringent cost and budgetary controls possible under present law.

GENERAL PROGRAM STATEMENT

The State Lands Division provides staff support to the State Lands Commission. The commission has the responsibility for the management of state school lands, tide and submerged lands, swamp and overflow lands and the beds of navigable rivers and lakes. The com-

mission has the authority to sell state school lands, provide for the extraction of minerals and oil and gas from lands in its custody, and to administer tideland trusts as granted by the Legislature. It also conducts a program to locate the boundaries of tide and submerged lands owned by the state, to maintain records showing the location of publicly owned lands and to control uses of lands not granted by the Legislature to local government units.

The commission is composed of three members, the Lieutenant Governor, the State Controller and the Director of Finance.

ANALYSIS AND RECOMMENDATIONS

The Governor's Budget proposes an expenditure of \$2,624,133 for the support of the State Lands Division in 1971-72, which is a decrease of \$245,460 compared to the current year. The General Fund appropriation of \$1,520,800 represents a decrease of \$239,640 over the current year. A reduction of 22 man-years is contemplated. This budget reduction will be accomplished by a reduction in the state lease portion of the extractive and nonextractive development programs and in the ownership determination program.

LAND USE

We recommend augmentation of the nonextractive development activity of this program by \$12,500 to provide one additional associate land agent position. We further recommend augmentation of the division budget by \$50,000 to provide the necessary staffing to allow review of environmental impact reports.

Total expenditures for the Land Use Program of the division will be \$2,027,258 in 1971-72. These expenditures will include \$935,187 from the General Fund. In addition, there will be \$1,042,071 in reimbursements of which Long Beach operations will account for \$1,024,811. The Land Use Program of the division, therefore, will be reduced by \$88,798.

In the budget year, the extractive development activity (principally oil and gas other than Long Beach) is reduced by \$92,766 and 8.4 man-years, the nonextractive development program is reduced by \$7,362 and 4.8 man-years and Long Beach operations is increased by \$10,430. The effect of the reduction in the extractive development program of the division will be to reduce the number of leases (oil, gas and other minerals) which are processed and the inspection of operations under state leases. Inspection of leases involving drilling operations is designed to ensure the proper use of drilling procedures and to reduce the dangers of environmental contamination. Field personnel check to assure the accuracy of oil production reporting and help in determining the need for secondary recovery activities. The budget reduction will have the effect of reducing the staff available to review new lease applications (if any), approve changes in existing extractive operations, and inspect operations under present leases. The State Lands Division indicates that the above reductions will reduce estimated revenue from state extractive leases.

The proposed reduction of 4.8 man-years in the nonextractive development activities of the division will further lower the present inadequate ability of the state to control unauthorized uses of state land, and

State Lands Division—Continued

will increase the possibility of loss of valuable state land. The proposed reduction will result in the direct loss of rental income as leases would have to be renewed at old rates without updated appraisal information. Addition of one position in the nonextractive development program would prevent the loss of approximately \$50,000 in state revenues, according to the division. We therefore recommend augmentation of the division's proposed budget by \$12,500 to provide one additional associate land agent.

Environmental Impact Reports

Additional workload was added by Chapter 1555, Statutes of 1970, which provides that the commission shall not lease any lands under its jurisdiction until an environmental impact report is prepared and the commission has determined that the leases will not have a significant detrimental effect on the environment.

Substantial additional workload is being added to division activities in the budget year due to this requirement that environmental impact reports be prepared before new leases may be let. (Lessees are expected to prepare the reports.) Chapter 1555, Statutes of 1970, which imposed the above special environmental impact report requirements, appropriated \$50,000 for division expenses in preparing such reports. The appropriation was to be financed from the Environmental Protection Program Fund, which consists of moneys raised from the sale of personalized license plates. At this time it is doubtful that revenues in the Environmental Protection Program Fund will be sufficient to fund the \$50,000 appropriation made to the State Lands Division last year for administration of the environmental impact reports. The budget shows the \$50,000 expenditure in the budget year rather than in the current year, but there is no reason to believe the money will be available in 1971-72 if it is not available now. Because the division has experienced severe reductions in its proposed budget, we believe any additional loss in fiscal resources will seriously affect its capability, and preclude executing the requirements of Chapter 1555. We therefore recommend that the division's budget be augmented by \$50,000 from the General Fund.

OWNERSHIP DETERMINATION

We recommend an augmentation of \$37,500 in the Ownership Determination Program.

The State Lands Division has authority over four million acres of state lands which the state either owns in its sovereign capacity or as a result of congressional grants. Only a small portion of the total boundary lines between state lands, lands held by other government units, or private owners, has been legally determined.

The basic objective of this program is to establish and perfect the boundary claims of the state. There are two primary activities involved in the program: (1) a determination of boundaries by engineering title and legal research studies and (2) perfection of title to a claimed boundary line through agreement with adjoining landowners or through court action.

The proposed budget for the Ownership Determination Program in 1971-72 is \$503,500. This represents a reduction of \$142,608 and 6.2 man-years from the current year.

The reduction in the ownership determination activity of the division will have substantial impact on the division's ability to perform its duties adequately. At the present time, the division is understaffed to respond to court actions brought against the state in boundary dispute cases. The State Lands Division is required to furnish technical information to the Attorney General in these cases. We pointed out in our analysis last year that the division's ownership determination activity would be one of primarily holding the line by defending the state's interest in quiet title suits brought by private landowners against the state, and in drawing up legal descriptions to facilitate the division's leasing program. The reduction of \$142,608 from the current-year budget of the ownership determination program will further decrease the division's ability to meet its responsibilities in this program.

The ownership determination workload has been increasing at a substantial rate in past years. At the end of 1969, this program had a workload of 1,856 projects to complete. This was an increase of over 100 percent from 1966. During the same period, the available manpower in this program had increased only 7 percent. Quiet title cases brought against the state increased over 50 percent in the past year. Since the development of private lands abutting state-owned lands depends on a determination of the boundaries with state lands, quiet title actions brought against the state will increase as the pressure of development increases. Failure of the State Lands Division to keep pace will impose hardships on developers, reduce state revenue, and add costs for the state to defend itself in court.

The Ownership Determination program of the State Lands Division has a substantial role to play in protecting the state's open space and beach access. Without boundaries clearly determined, state lands are subject to encroachment by others who may damage or misuse valuable state lands. In addition, it is possible for the state ultimately to lose hundreds of acres of state-owned lands due to its inability to stop trespasses and encroachment on state lands.

The restoration of three positions being deleted in the ownership determination activity would allow the division to study boundary lines and reach agreement with adjacent landowners on about 25 miles of high-priority boundary each year. This would not be directly revenue-producing activity, but would serve to preserve and control certain valuable tide and submerged state lands. Boundary settlement in high priority areas such as Donner and Fallen Leaf Lakes, and Tomales Bay would be the work areas of these three positions. We recommend that the proposed budget of the division be augmented by \$37,500 to allow the above high-priority areas to be surveyed.

STATE LANDS REVENUE

Many important programs of various state agencies are dependent to some extent on revenues generated by the division from oil and gas and other leasing operations. These revenues are estimated at \$38,798,000 in the budget year. The allocation of these revenues for four years is shown in Table 1.

State Lands Division—Continued

Table 1
State Lands Revenue—Distribution

	Actual 1969-70	Estimated 1970-71	Estimated 1971-72	Estimated 1972-73
General Fund	\$3,110,584	\$2,513,000	\$2,582,000	\$2,884,000
Central Valley Water Project Construction Fund	16,000,000	27,358,000	32,000,000	5,000,000
State Water Quality Control Fund	2,000,000	2,000,000	--	--
Capital Outlay for Public Higher Education	22,812,920	--	4,116,000	24,854,000
California Water Fund	--	--	--	25,000,000
Payments to Cities and Counties	142,000	120,000	100,000	84,000
Total	\$44,065,504	\$31,991,000	\$38,798,000	\$57,822,000

Reducing Number of Offices

It is recommended that the commission attempt to consolidate its three offices into two offices.

The State Lands Division staff is physically located in three major offices in the state. The headquarters office in Los Angeles, the Long Beach operations office in Long Beach, and the executive and land program offices in Sacramento. We have observed that there appears to be much travel and administrative inefficiency entailed in the separation of the division's work into three major offices. The historic reason for the division's headquarters being in Los Angeles is that this was where the major oil and gas companies also had headquarters, but this justification has diminished over the years.

Integration of the land transactions work of the Los Angeles office with the Sacramento office and consolidating the Long Beach and Los Angeles oil and gas extraction work would reduce travel on the part of division staff, allow greater interchangeability in staff assignments, increase operational efficiency, and undoubtedly reduce duplication in files and records. We therefore recommend that the commission attempt to consolidate its three offices into two offices, preferably with the headquarters in Sacramento.

QUEEN MARY ALLOCATION OF COSTS

The Supplemental Report on the 1970 Budget Bill recommended "That the State Lands Commission should review the status of its approval of all expenditures on or in behalf of the Queen Mary, discuss legal problems, describe its method of determining approved costs and report all approved costs to the Legislature by December 1, 1970."

Closely related to the above directive was a recommendation contained in our 1970 Analysis of the Budget Bill that the Legislature reevaluate the sharing of Long Beach tideland revenues between the city and the state. This recommendation was made because the expenditures on the Queen Mary by the City of Long Beach gave indications of becoming so large that the wisdom of the city's use of its tidelands revenues was brought into question. In other words, does the state have a better use for the Long Beach tidelands oil and gas revenues than to permit the City of Long Beach to spend it on projects such as the Queen Mary?

The first task involved in answering the above question is to determine how much money the City of Long Beach is legally spending on the Queen Mary from its tideland oil and gas revenues. Therefore, the State Lands Commission was asked as noted above to report on the costs of the Queen Mary that it had approved as being legally payable from the city's tideland revenues. This required the commission's staff to allocate or distribute those costs which involved both the maritime museum on the Queen Mary (which is a legally approved purpose of expenditure for tideland revenues) and the concession facilities on the Queen Mary which consist of hotel rooms, convention facilities, bars, restaurants, etc. The concession facilities cannot be financed with the city's tideland revenues.

The specific expenditure limitations controlling the city and the review authority of the State Lands Commission on these expenditures are contained in Chapter 138, Statutes of 1964, First Extraordinary Session.

In December 1970, the State Lands Commission submitted its report on the status of expenditures made under authority of Chapter 138 by the City of Long Beach to convert the Queen Mary to a maritime museum and a convention facility. The following paragraphs review the commission's report, comment on its findings, and draw conclusions from the available information.

City of Long Beach Expenditures on Queen Mary

In 1967, the City of Long Beach acquired the Queen Mary as a facility to accommodate a maritime museum. A maritime museum is one of the specifically enumerated purposes under Chapter 138 for which the city may spend its tideland revenues. Under the provisions of Chapter 138, the City of Long Beach must inform the State Lands Commission if it intends to expend in excess of \$50,000 of the city's share of tideland oil revenues for a capital improvement project. The commission has 60 days to object to the proposed expenditure if it is not for a purpose permitted by Chapter 138. Thereafter, if the expenditure is made, the commission may seek any judicial relief it deems appropriate. The commission is not required to approve a proposed expenditure.

After being informed of the city's proposal to purchase and then to convert the Queen Mary into a maritime museum pursuant to the above procedure, the State Lands Commission requested the opinion of the Attorney General as to whether such an expenditure of the city's share of tideland revenue was in accordance with Chapter 138. In his opinion, the Attorney General stated that the proposed expenditure for a maritime museum housed in the Queen Mary was not in violation of Chapter 138. The Attorney General added, relative to certain proposed privately funded commercial (concession) activities proposed aboard the Queen Mary, *that no trust revenues may be disbursed for any expense incident to conversion or improvement of commercial areas.*

The original plan for the Long Beach maritime museum, as authorized under Chapter 138, was for a conventional land-based museum at a cost of approximately \$9 million. The city also anticipated private contributions on the order of \$2 million for exhibits.

State Lands Division—Continued

Table 2

Total Expenditures to June 30, 1970 on Conversion of Queen Mary

City of Long Beach	
Tideland Oil Revenue Fund-----	\$24,998,517
Tideland Operating Fund-----	670,652
	<hr/>
	\$25,669,169
Private Companies	
Diners/Queen Mary Corporation-----	\$6,723,553
Museum of Sea Corporation-----	42,550
Ohio Energy System-----	995,735
	<hr/>
	\$7,761,838
	<hr/>
Total-----	\$33,431,007

Based on the Attorney General's opinion the State Lands Commission entered no objection to the expenditure of \$5,367,240 for the purchase and delivery of the Queen Mary. The city estimated that using the Queen Mary as a museum site would result in the total costs from tideland oil revenues being less than the \$8,750,000 estimated for a land-based museum. However, total expenditures to June 30, 1970, from Long Beach's share of tideland oil revenues have been \$25,669,169, as shown in Table II.

In addition to the city's financing, the California Museum of the Sea Foundation, a nonprofit corporation, has been selected by the city to be directly responsible for the design, construction, financing and operation of the museum aboard the Queen Mary. The city has reported to the State Lands Commission that the Museum of the Sea Foundation has pledged to obtain between \$8-\$10 million in exhibits for the museum.

The third major financial participant in the Queen Mary project was the Diner's/Queen Mary, Inc. Diner's/Queen Mary was to be the master leasee of the commercial areas aboard the ship. It signed a 25-year contract with the city and agreed to pay specified annual rentals for commercial space on the Queen Mary. Diner's/Queen Mary agreed initially to invest about \$5,000,000 in remodeling and refinishing the commercial areas of the ship and \$1,000,000 in other improvements also benefiting its subleasees. As of June 30, 1970, the city reported expenditures of \$6,723,553 by Diner's/Queen Mary for commercial purposes aboard the Queen Mary. The last estimate of the probable investment of Diner's/Queen Mary was \$8.8 million.

The status of the commercial operations aboard the Queen Mary is presently in doubt. As of July 1, 1970, the Diner's/Queen Mary notified the city that it was exercising its option to terminate its lease, effective August 1, 1970. The city is contesting this termination and in the meantime is attempting to find another master leasee. The Diner's/Queen Mary subsequently filed a \$44 million damage claim against the city and the city has filed a damage suit against Diner's/Queen Mary in the amount of \$139 million.

Adding the total of planned city expenditures of tideland revenues of \$41,978,500, the \$6,723,553 spent by Diner's/Queen Mary Corpora-

tion, the \$995,735 spent by Ohio Energy Systems and \$8 million the Museum of the Sea Foundation has pledged, gives an approximate total of \$57.7 million to be expended on the Queen Mary project. There are many millions of dollars being spent on other supporting facilities such as bridges, roads and utilities which are indirectly connected to this project, and are excluded from this total.

Up to the present date, the City of Long Beach has informed the commission of seven separate tideland oil revenue expenditure proposals. The last three expenditure proposals total \$33,343,395, and include \$17,020,000 for conversion of the ship to a maritime museum and construction of a berthing site, parking lots, and other land-supportive facilities. The last of these expenditure proposals was for \$9,790,874 which the city reported was primarily for work that was made necessary because of the termination by Diner's/Queen Mary of its master lease with the city. The city reports that the action of the Diner's/Queen Mary in attempting to divest itself from the interest in the Queen Mary project has caused its costs of completing the museum and tour areas of the Queen Mary to increase by about \$6,700,000. The city has also said that it would complete the concession facilities. The true purpose of the \$6,700,000 is not clear at this time.

Conditional Nonobjection

In each of the above three expenditure proposals the State Lands Commission has reserved the right to object in the future to any expenditures if the expenditures do not conform to the provisions of Chapter 138. The city accepted this reservation of right and has entered into an agreement with the state stipulating that the state will have the right to continued objection. This procedure has become known as "conditional nonobjection" by the commission. It is in lieu of the statutory objection provided in Chapter 138. The last conditional nonobjection further extended the commission's right *until two years* from the date of the last expenditure of tideland oil revenues on the Queen Mary. The State Lands Commission has justified its conditional nonobjection on the basis of the complexity of the Queen Mary conversion work and the number of substantial changes in the conversion program and stated in its report of December 1970, that no determination can be made until the project is complete. The commission also maintains that a factual analysis will not be completed until the project itself is completed.

The result of the above procedure is that the commission has permitted the city to spend its tideland revenues as the city proposes, while simultaneously stating that it is controlling the expenditures. As a practical matter the commission is not now limiting or objecting to any city expenditures on the Queen Mary even though the general impression is given that the commission is exercising control.

Legislative Counsel Opinion

In order to clarify certain legal questions involved in the commission's management of the City of Long Beach expenditures of tideland revenues on the Queen Mary under Chapter 138, a Legislative Counsel's opinion was requested on two questions. The first was whether

State Lands Division—Continued

the provisions of Chapter 138 authorize the commission to employ the "conditional nonobjection" approach in its review of city expenditures on the Queen Mary. The opinion stated, "It is our opinion that the provisions of subdivision (h) of Section 6 of the 1964 act, *supra*, do not authorize the commission to employ a 'conditional nonobjection' approach with respect to its review of the proposed expenditures of tideland oil revenue for the R.M.S. Queen Mary Maritime Museum Project and that a mandamus action could be brought to prevent further such 'conditional nonobjections'." The opinion adds that a court would probably conclude that the conditional nonobjection would protect the commission's right to undertake court action the same as if an objection has been made by the commission. -

The second question involved the legality of using tideland oil revenue for commercial (concession) facilities on the Queen Mary. The counsel's opinion stated, "Section 6 of the 1964 act clearly authorizes the expenditure of tideland oil revenue for development of a maritime museum and for acquisition of property or the rendition of services reasonably necessary to carrying out of such purposes. Subdivision (g) of this section further authorizes expenditures for other uses and purposes of state, as distinguished from purely local interest and benefit which are in fulfillment of trust uses and purposes described in the legislative grants and which are approved by the commission. However, we find no provision of the section which would *generally* authorize the expenditure of tideland oil revenue to pay the cost of developing strictly commercial facilities such as hotels, restaurants, and shops."

Allocation of Costs

In reviewing with the State Lands Commission's staff the status of its work in allocating costs between the museum and commercial facilities, we discussed the extent to which expenditures by the City of Long Beach were related and chargeable to concession facilities rather than the museum. The division staff has developed a technical basis for allocating conversion costs and has preliminary estimates of allocated costs based on those actual expenditures made by the city thus far. These estimates show that approximately 30 percent of the \$22 million expended for acquisition and conversion was allocable to concession or commercial purposes. The commission has not reported this information to the Legislature in its December 1970 report because the figures are not final. However, the Legislature is entitled to some indication of the way the allocation of expenditures is developing. This preliminary information is significant because it indicates that substantial sums of the conversion costs of the Queen Mary probably will not be ultimately payable from tideland revenues pursuant to Chapter 138 and should be subject to objection under Chapter 138.

Based on present preliminary cost allocation information, it appears that expenditures have taken place on the Queen Mary which are not permissible under Chapter 138. This was done under the "conditional nonobjection" procedure which, as the Legislative Counsel states, is not authorized by the law. Under present procedures the city will prob-

ably spend whatever tideland revenue it chooses on the Queen Mary. After the money is spent the issue of improper expenditure may tend to become moot because it will be too late to prevent the improper expenditure.

The series of increasing cost estimates for the Queen Mary, as presented to the commission by the city, indicates that the commission, like the city, was caught in the evolution of events. The initial decision by the city to purchase the Queen Mary was beyond the control of the commission because it had no authority to prevent the development of a maritime museum. The subsequent increasing costs for conversion placed the commission in a dilemma; it could try to stop the increasing expenditures for conversion or temporize. In practice the latter occurred and the conditional nonobjection was the procedural device used. During all these events, the commission did not inform the Legislature fully of its problem and did not clearly spell out the problem in its December 1970 report. Instead it indicated that "the issue is one of basic policy considerations between the state and its grantee that can be decided properly only within the legislative province..."

It is only possible to speculate on future events based on the preliminary information now available. The commission could seek court action to force the city to pay for any conversion costs which ultimately are found to be for commercial purposes. This would require the city to substitute other city money for the tidelands money improperly used. Besides creating cash problems for the city, it would not change the fact of the existence of the Queen Mary and its costs. The Legislature might amend Chapter 138 to widen the scope of permissible expenditures by the city related to a maritime museum, but this approach would probably still leave some restriction on expenditures which must, under the tidelands trust, be for a "statewide" purpose. Among the other possibilities is to delay on any action until interest in the problem declines.

The way the City of Long Beach managed acquisition and conversion of the Queen Mary and the almost uncontrolled increases in costs for the Queen Mary, part of which is related to the city's desire to have commercial facilities on board, suggest that the tideland oil revenues are received and expended freely by the city. In considering whether the city should continue to receive its present share of tideland revenues or whether the Legislature should reduce the share, it seems clear that the city does not need more tideland revenues for additional projects similar to the Queen Mary. On the other hand, the state has not exercised the limited authority of the State Lands Commission to prevent expenditures such as those described for the Queen Mary. Therefore, as a minimum, the state bears some responsibility to continue to provide the City of Long Beach with its annual share of tideland revenues until the city has paid off all legal costs for projects now under construction.

At the same time, it is not possible to determine the size of the city's proper future share of tideland revenues without considering how in practice the revenue sharing provisions of Chapter 138 have developed and what impact the declining estimates of East Wilmington oil pro-

State Lands Division—Continued

duction and revenues will have on the state and city. Therefore, a brief history and discussion of significant features of the revenue sharing is in order.

LONG BEACH TIDELAND REVENUES

The Wilmington oil field underlies state sovereign tidelands extending seaward of the City of Long Beach. A large tract of these tidelands containing over 95 percent of the Wilmington oil is held in trust by the City of Long Beach under provisions of legislative grants made by the State of California in 1911, 1925, and 1935.

The Wilmington field was opened to development in 1939 when the City of Long Beach submitted tideland parcels to competitive bids. Development of the subsequently discovered East Wilmington field, one of the largest known fields in the United States, began in 1964. The development started after the Legislature substantially revised the allocation of oil revenues between the city and the state by Chapter 138, Statutes of 1964, First Extraordinary Session. That act declared that the expenditure of oil revenues by the City of Long Beach under the previous revenue-sharing formula had become economically impractical, unwise and unnecessary. The shares of the city and state were therefore revised in the light of the substantial new oil discovery and the anticipated revenue from it. Chapter 138 applied to both the old development and the new East Wilmington area.

In 1964, the city was receiving about \$12 million a year from the old development. Under Chapter 138, the city received half of the advance royalties and half of the East Wilmington oil royalty revenues received prior to January 1, 1969. Thereafter the city receives yearly a specified amount per year—or a declining percentage of remaining oil revenue after all production costs are paid—whichever is less. Thus, the city's share declines from \$9 million or 45 percent of remaining revenue (after costs are paid) to \$1 million per year by 1988 and thereafter.

It was anticipated in 1964 that the share of the advance royalties and the share of the remaining revenues guaranteed to the City of Long Beach would result in apportioning approximately 85 percent to the state and 15 percent to the city over the 35-year period. After payments to the city and deductions for development and operating expenses, it was estimated that the state would receive about \$1.2 billion. The city was estimated to receive \$231 million in total revenues. The details of the actual revenue history are provided in Table 3, on Analysis page 430.

In 1965, the then undeveloped East Wilmington portion of the field was divided into three major subdivisions according to principal ownership for purposes of soliciting competitive bids for development from interested oil corporations. Tract 1 is that portion of East Wilmington which is under trust grant by the state to the City of Long Beach. It is currently estimated to contain 85.41 percent of the total East Wilmington reserves. Tract 2 is wholly state-controlled and is estimated to contain 5.17 percent of the East Wilmington pool. The third subdivision, which comprises Tracts 3 to 94 or the townlots, have an estimated 9.42 percent of the East Wilmington oil underlying them. The weighted

average of the winning development bids guaranteed the state 96.25 percent of the total net profits on Tract No. 1 of the East Wilmington field.

Chapter 138 was a compromise between the City of Long Beach and the state covering both the development of East Wilmington and the sharing of oil revenues from the entire Wilmington Tidelands Development. The city (1) was expected to receive a total of \$231 million in revenues, (2) was allowed control over the plans of development and operation particularly in regard to subsidence control measures and esthetics of development, (3) was granted reimbursement for direct subsidence control costs, and (4) was reimbursed out of oil revenues for its cost of administration as the unit operator. The state was to receive all remaining net profits after all development, operating and other costs were paid, including the city's share of revenues.

Chapter 138 also reserved for the state, through the State Lands Commission, increased control over oil and gas operations in order to efficiently develop East Wilmington for the maximum benefit and profit of the state. Chapter 138 incorporated the old tidelands with the new East Wilmington (Long Beach Unit) with regard to revenue and trust matters, but it did not apply to development of old Wilmington.

System of Control Over East Wilmington

The system of control set up under Chapter 138 charged the State Lands Commission with the duty of protecting the economic interests of the state in the Long Beach unit. The principal mechanism to safeguard the state interest is the requirement that the annual plan and budget of the field contractor or developer, known as THUMS, be approved by the State Lands Commission. THUMS Long Beach, Inc. is a five-company partnership including Texaco Inc., Humble Oil and Refining Company, Union Oil Company of California, Socony Mobil Oil Company, Inc., and Shell Oil Company.

The plan and budget must be initially adopted by the State Lands Commission at least 100 days prior to submission to participants in the oilfield. Commission approval of the budget must be made within 45 days after the budget is submitted to the commission or it is automatically deemed approved. If the commission believes a modification of the budget is necessary, a formal hearing must be conducted.

The City of Long Beach and the state both have a responsibility for supervising the field contractor, THUMS. The city works directly with the field contractor in supervising his day-to-day operations and in making decisions on operating methods, timing, and strategy. It is the city which has first-hand knowledge and is on the operating scene. The law provides that the day-to-day operations of the Long Beach Unit are to be the responsibility of the field contractor (THUMS) acting under the direction and control of the City of Long Beach. Only in the area of capital investment, and not operations and maintenance costs, has the state exercised power of approval.

The field contractor, THUMS, has the responsibility for operating the Long Beach Unit (East Wilmington Tracts 1 and 2, and the Town Lot Tracts). THUMS and the other Long Beach Unit participants are required to provide the funds to develop and operate the Long Beach

State Lands Division—Continued

Unit. These fund advances must be recovered by the unit participants before the city and state begin to receive net profits. This point in time is termed the "payout" point. Payout is now estimated as approximately October 1971.

Differing Economic Interests of Long Beach Unit Participants

In order to understand fully the state's economic interest in East Wilmington, it is necessary to understand that the state's revenues depend principally on net profits. On the other hand the ultimate economic benefit of the city from the unit will be determined by specified percentage amounts of the Wilmington oil revenues, subject to certain dollar maximums, as discussed above (Section 4(c) of Chapter 138). This means that the city could derive its maximum revenue share under Chapter 138 given some relatively low net revenue in the Long Beach Unit. After this point, only the state would achieve major benefit from higher revenues and lower production costs. There would be no economic incentive for the city to expand net profits beyond this point. Under current revenue estimates the city's share of Wilmington tideland revenues will be determined generally by the fixed dollar maximum in Chapter 138.

The state has by far the greatest incentive to control expenses by controlling development and production costs. The state's share of the Tract 1 revenues is computed as 96.25 percent of the net profits, with THUMS and the other participating contractors to receive 3.75 percent. In comparison, THUMS as the field contractor, is reimbursed for all expenses and automatically receives a 3 percent allowance based on total costs to pay administrative overhead expenses. THUMS' share of net profits is 3.05 percent, which is almost the same as the 3 percent allowance to THUMS for administrative overhead. There exists for the field contractor no major economic incentive to reduce costs and increase net profits.

Budgetary Control Through THUMS' Budget

The effectiveness of the state's protection of its economic interest in Wilmington tideland revenues rests primarily on the exercise by the State Lands Commission of its statutory authority to control development through the THUMS' budget. To date, no formal modification of the THUMS' budget has been ordered by the commission, although modifications through mutual agreement of the city, state, and THUMS have occurred by cooperation in the preparation of the budget before it is approved by the commission.

The reluctance of the commission to exercise its statutory authority to modify the budget through formal hearings has resulted in many problems and some frustration of the intent of Chapter 138. That is, recommendations for efficient operation of the field and increasing net profits by the commission's staff have not been implemented when the city and/or THUMS have disagreed with the commission's staff. Due to the factors cited above, the state's ability to control the economics of oil production in East Wilmington depends significantly on the good will and cooperation of the city. The state as a practical matter effects

economies and limits operating expenditures through recommendations to the city or THUMS.

Listed below are selected examples of deficiencies in the system of control under Chapter 138 to achieve economical and efficient management of the Long Beach unit.

At the present time, in spite of the large reduction in drilling, construction of facilities and future investment planning, the management expenses of THUMS have been increasing at a rate significantly higher than the total budget. For instance in its 1970-71 budget, THUMS' management expenses increased by 4 percent to \$2,575,000. This compares with a reduction of 16 percent in the total 1970-71 budget.

In its analysis of the 1970-71 plan and budget submitted by THUMS for commission approval, the staff of the division offered substantial suggestions for savings. These savings included: (1) a 20-percent reduction in THUMS' production staff (\$300,000), (2) a 10-percent reduction in field overhead (\$100,000), (3) a 10-percent reduction in marine transportation (\$85,000), (4) 20-percent reduction in the number of drilling coordinators, supervisors, and engineers (\$90,000), and (5) a savings of \$1.5 million from discontinuing thermal stimulation. The division staff reported that in areas (1) and (4) above, THUMS may be as much as 43 percent to 50 percent overstaffed.

Although the division staff recommended the above potential savings, these recommendations were only treated as "suggestions" with no commission directive for implementation.

Another example of unnecessary cost imposed upon the state involves the proposed acquisition of the Southern California Edison electric power transmission facility for the Long Beach Unit. The State Lands Commission's staff made a comprehensive analysis of the Southern California Edison facility and decided in 1969 that it would be more economical for the state if THUMS exercised its option under the power supply contract and purchased the power facilities rather than continuing to lease them. The Audits Division of the Department of Finance and the Auditor General arrived at the same conclusion in separate analyses of this purchase proposal. The Audits Division reported that the annual rental of \$564,360 over the 35-year life of the facility contract was overly expensive and savings of over \$10 million could be realized if the facilities were purchased by THUMS. Even with such a large sum involved, the state was unable to effect this acquisition which was so clearly in the state's best interest. The purchase was delayed so long by administrative devices that the State Lands Division no longer recommends the purchase as being desirable.

Another management problem involves oil production forecasting. In the past the inaccurate revenue forecasts of THUMS overstated the base on which local property taxes are computed. (See comparison of city estimates versus state, Table 3.) In 1969 during the analysis of the 1969-70 THUMS' budget, the State Lands Division determined that THUMS' estimate of oil and gas to be produced from the East Wilmington tidelands would result in mineral tax assessments being overstated by approximately \$800,000. In this instance the State Lands Division was able to reduce this loss to the state.

State Lands Division—Continued

The examples cited above are intended to demonstrate the state's difficulties in achieving adequate control over the East Wilmington Tidelands Development. Even where certain actions are clearly in the state's best interest, the state has not been able to exercise firm control. Sometimes the state is able to achieve desired savings objectives, sometimes not. In short, the State Lands Commission has not been able to exercise primary economic control over the Wilmington Tidelands, even though this was the intent of Chapter 138.

Revenue from Wilmington Tidelands (Chapter 138)

There are a number of reasons why revenues from East Wilmington Tidelands Development have been significantly below those originally estimated for the field. Some of these are reasons due to poor original estimates of the oil and gas in place and some are due to administrative and management inefficiency in the operation of the field. Table 2 below shows two City of Long Beach revenue estimates compared to the present state estimate of oil revenue and its distribution between the city and state under Chapter 138. The table also compares the relative percentage shares of total revenue under the state estimate and the percentage reduction in revenues to the parties from the original city estimate.

Table 3
Chapter 138 Oil Revenue, in Millions

	City estimates		State estimate		State estimate % below first city
	Aug. 1966	June 1970	July 1970	% of Total	estimate
Total -----	\$1,490	\$882	\$609	100%	59%
Retained by city ----	231	206	184	30.2	20
State revenue -----	1,159	676	425	69.8	63

The State Lands Division estimates that state revenues will be reduced from \$1.2 billion (August 1966 estimate) to an estimated \$425 million over the life of the Wilmington development. Table 3 above shows that the original 85 percent state-15 percent city revenue split in the August 1966 city estimate above, will be closer to 70 percent state and 30 percent city (based on the July 1970 state estimate). State revenues shown in the table above are reduced 63 percent from the August 1966 city estimate to the July 1970 state estimate. The revenues estimated to be received by the City of Long Beach will drop only 20 percent.

Another factor directly affecting state revenues is the high administrative cost burden of the city which is being carried by the East Wilmington tidelands. Total administrative overhead costs, including state, city, and THUMS' share, total \$18.8 million from May 1965 through November 1970.

Several conclusions can be drawn from the above discussion of Long Beach tideland revenues. First, Chapter 138 is not written to facilitate management of the operation by the commission in order to protect the state's primary financial interests. Second, the commission has been reluctant to exercise those powers of budget modification which it does have. Third, neither the city nor THUMS has any major reasons to

assist the state in achieving efficient management because high costs or inadequate management are primarily at the expense of the state. Fourth, future revenues will be substantially below those originally expected to be received by the state, and the actual distribution between the state and city is less favorable to the state than originally contemplated.

SUMMARY AND RECOMMENDATIONS

In summary the problems at Long Beach are both long-term and short-term. In the long term it is doubtful whether a commission such as the State Lands Commission is the best organizational approach to the complex and technical problems of managing and protecting the state's primary economic interests at Long Beach. In so far as the expenditures by the City of Long Beach on the Queen Mary are concerned, there is a long-term problem for the commission and the Legislature to gather more information, and working with the city, develop a reasonable solution to the problem of allocating and reconciling the expenditures with the provisions of law, or with appropriate revisions in law.

In the short term, it is recommended (1) that the Legislature terminate the sharing of tidelands oil revenues with the City of Long Beach as soon as the projects now under construction have been funded; (2) that the State Lands Commission be directed by the Legislature to expedite the allocation of costs on the Queen Mary; (3) that the State Lands Commission be directed to take any necessary legal action to prevent any future expenditures of tidelands revenues on the Queen Mary which do not clearly comply with the provisions of Chapter 138; (4) that the State Lands Commission reevaluate its controls over the East Wilmington Tideland Development and report to the Legislature as soon as possible its proposals to improve field management, budget preparation, documentation and implementation procedures, including recommendations for legislation to insure adequate protection of the state's economic interest; and (5) impose the most stringent cost and budgetary controls possible under present law.

DEPARTMENT OF FISH AND GAME

Item 192 from the Fish and Game

Preservation Fund

Vol. II p. 345 Budget p. 133

Requested 1971-72	-----	\$16,962,318
Estimated 1970-71	-----	16,645,231
Actual 1969-70	-----	14,968,924
Requested increase \$317,087 (1.9 percent)		
Increase to improve level of service \$253,000		
Total recommended reduction	-----	None

GENERAL PROGRAM STATEMENT

The Department of Fish and Game is responsible for administering programs and enforcing laws pertaining to the fish and wildlife resources of the state. Article IV, Section 20 of the State Constitution,

Department of Fish and Game—Continued

establishes the Fish and Game Commission of five members appointed by the Governor. The commission regulates the taking of fish and game under delegation of legislative authority pursuant to the Constitution. The commission also establishes policies to guide the department in carrying on its activities. The general regulatory powers of the commission are specified in Division 1 of the Fish and Game Code.

The department is headquartered in Sacramento and has approximately 1,300 employees located throughout the state. Field operations are supervised from regional offices in Redding, Sacramento, Fresno, San Francisco and Long Beach.

Funding Sources

The department is a special fund agency financed through the Fish and Game Preservation Fund. The fund secures its revenues from the sale of hunting and fishing licenses, court fines and commercial fish taxes, plus grants of federal funds and reimbursements from other government agencies. Table 1 shows the sources of funding for the department's support activities for a five-year period. About 21 percent of the support programs are financed by federal funds or reimbursements from other agencies of government such as the Department of Water Resources. The department estimates it will spend \$22,953,178 from all sources for support programs in 1971-72.

Although the Fish and Game Preservation Fund serves as the funding source for the support programs of the department and for most of its capital outlay projects, the Wildlife Conservation Board over the years has financed the acquisition and construction of a number of field installations and facilities operated by the department using money which otherwise would accrue to the General Fund. These facilities include waterfowl management areas, wildlife management areas and fish hatcheries. The 1969 report of the Wildlife Conservation Board lists \$10,829,064 in completed board projects financed by the Wildlife Restoration Fund with the Department of Fish and Game as the co-operating agency. In addition, the board utilized \$4,400,000 of its 1964 Recreation Bond Act funds to acquire wildlife areas and construct hatcheries operated by the department.

The State Recreation and Fish and Wildlife Enhancement Bond Act of 1970 provides \$6 million to the board for design and construction of fish and wildlife enhancement projects and fishing access sites in connection with the State Water Projects. In Item 326 the board is requesting an appropriation of \$180,000 from these bond proceeds for preliminary plans and working drawings for expansion projects at seven fish hatcheries operated by the Department of Fish and Game. Although the department supports most of its programs from hunting and fishing license sales, fish taxes and reimbursements from other levels of government, the Department of Fish and Game would not have been able to acquire and construct many of the facilities it has or will have without the \$21 million in supplementary financing from the Wildlife Conservation Board.

Table 1
Department of Fish and Game—Support Expenditures¹

<i>Source of funding</i>	<i>1967-68</i>	<i>1968-69</i>	<i>1969-70</i>	<i>1970-71²</i>	<i>1971-72²</i>
Fish and Game Preservation Fund-----	\$13,014,912	\$14,612,154	\$15,738,483	\$17,389,806	\$17,922,843 ²
Federal funds -----	1,320,508	1,672,368	2,237,226	2,187,825	2,835,675
Totals as shown in Governor's Budget-----	\$14,335,420	\$16,284,522	\$18,032,704	\$19,697,831	\$20,985,918
Expenditures funded through reimbursements					
Federal funds -----	\$827,453	\$753,713	\$951,805	\$948,682	\$924,360
Other (Department of Water Resources major source) 1,200,233	1,383,770	1,173,233	1,372,040	1,042,900	
Total of all expenditures-----	\$16,363,106	\$18,422,005	\$20,157,742	\$22,018,553	\$22,953,178

¹ Excludes Marine Research Committee.

² Estimated.

³ Includes minor capital outlay.

Department of Fish and Game—Continued
Fund Surplus

On June 30, 1970, the accumulated surplus in the Fish and Game Preservation Fund was \$3,886,590. The fund surplus at the end of the budget year is estimated to be \$3,511,456.

For many years after the last hunting and fishing license fee increase in 1957 the department kept its programs well within its revenues and gradually accumulated a surplus. On June 30, 1968, the fund surplus reached a peak level of \$9,935,297.

About four years ago, the department began to use its surplus to finance the replacement of capital equipment. These capital expenditures include:

Replace radio system -----	\$710,000
Replace four patrol boats -----	465,000
Construct Glenn-Colusa fish screen (state funding) -----	1,300,000
Total -----	<u>\$2,475,000</u>

In fiscal year 1968-69, support expenditures for the first time exceeded revenues to the Fish and Game Preservation Fund. The excess of expenditures over revenues has continued each year since and in the current and budget years is estimated to exceed revenues by substantial amounts. The excess of support expenditures over revenues for the fiscal years since 1968-69 is as follows:

<i>Year</i>	<i>Revenue</i>	<i>Support expenditures</i>	<i>Excess of expenditures</i>
1968-69	\$14,634,362	\$14,722,864	\$138,502
1969-70	15,446,263	15,896,319	450,056
1970-71 ⁽¹⁾	16,393,750	17,535,907	1,142,157
1971-72 ⁽¹⁾	16,945,500	18,150,774	1,205,274
Total -----			<u>\$2,935,989</u>

¹ Estimated.

Major capital outlay expenditures of \$410,000 to replace a patrol boat and replace or renovate the Beechcraft airplane are budgeted for 1971-72. These costs will increase the excess of expenditures over revenues in the budget year to an estimated total of \$1,615,274. Approval of a 5-percent cost-of-living salary increase would add another \$560,000 to the excess of expenditures.

During the current year, the decline in the surplus of the Fish and Game Preservation Fund was probably the major factor in the department's decision to revert \$1,631,940 that had been appropriated by the Legislature in 1967 to replace the research vessel "Scotfield." The fund condition also caused the administration to transfer the funding of 42 unit game managers from departmental support to federal cooperative funding through the Pittman-Robertson program to save the Fish and Game Preservation Fund \$429,000 in 1971-72.

In addition to the Fish and Game Preservation Fund surplus of \$3,511,456, the department will also have available at the end of the 1971-72 fiscal year about \$2,527,139 in unexpended federal funds under the Pittman-Robertson, Dingell-Johnson and Bartlett programs. Thus, from all sources the department will have at the end of the

budget year about \$6,038,595 as surplus or reserve for future appropriation needs. As a result of the adjustments discussed in the above paragraph and the availability of \$6,038,595 in surplus and reserves, we believe that the level of expenditures for the current and budget years can be funded although some cash flow difficulties may occur in early 1972.

Proposed Increase in Hunting and Sport Fishing License Fees

Last year in the Analysis we indicated that the pattern of increasing costs of operating the department would necessitate added revenues or a reduction in program or costs in two or three years. The department will request the Legislature this session to increase hunting and sport fishing license fees. The last increase of this nature was granted by the Legislature in 1957. The proposed increase will require special legislation and the revenue estimates in the Governor's Budget do not include revenue from the proposed increase.

The department proposes to increase hunting and sport fishing license fees to provide about \$5 million in added annual revenues, an amount which is about 33 percent of the current revenue from these fees. The increased fishing license fees would go into effect January 1, 1972, and the increased hunting license fees on July 1, 1972.

Beginning in 1972-73, the department will probably need added revenue to the Fish and Game Preservation Fund to maintain current program levels. Even if no new programs are added, the department will have major increased future costs to operate the enlarged fish hatcheries to be constructed by the Wildlife Conservation Board from the Recreation and Fish and Wildlife Enhancement Bond Act proceeds. We believe it is appropriate that the license fees at least finance the operation and maintenance of those facilities after the general taxpayer has financed their construction. The department can also expect increased future costs to finance environmental impact studies and the review of such reports prepared by others as required by Chapter 1433, Statutes of 1970.

Commercial Fishing License Fees and Fish Taxes

Chapter 1576, Statutes of 1969, increased commercial fishing license fees and certain commercial fish taxes for a two-year period to provide about \$800,000 added annual revenue to the Fish and Game Preservation Fund. When the department requested those increases in commercial fishing license fees and taxes, the department estimated it was spending about \$1,500,000 more annually on commercial fishing programs than it was receiving in revenue. The increased commercial fees were intended to bring departmental revenues and expenditures for commercial fisheries programs more closely into balance. The department indicates that legislation will be introduced in this session to extend the increased commercial fish taxes and license fees beyond the two years. Without extension of the increased commercial fish taxes, the previously existing imbalance would reoccur and might become worse if the proposed sports fishing license is enacted.

Department of Fish and Game—Continued
General Program Changes

The Governor's Budget shows total department support program expenditures of \$20,985,918, which are appropriated through this item and other support items. That amount compares to estimated expenditures of \$19,697,831 in the current year. Item 192 only appropriates funds for department support programs financed from the Fish and Game Preservation Fund, exclusive of the federal cooperative programs. The appropriation request is \$16,962,318, an increase of \$317,087 (1.9 percent) over estimated current year expenditures of \$16,645,231. The increase would be more, but two shifts of funding in the budget year reduced the amount of increase in the appropriation request. First, the department has shifted the funding of \$572,000 for 42 unit game managers from support to cooperative federal funding. However, the revised format of the support budget for 1971-72 includes funding for minor capital outlay of \$201,000. If the budget is placed on the same basis as the current year, the expenditures would increase by \$688,087 (4.1 percent). The increase is due mainly to added costs of \$232,000 for equipment, operating expenses and staff for the new Imperial Valley Hatchery near Niland. There are also increases for merit salary adjustments, general operating expenses and for state fiscal and administrative pro rata charges.

For all programs financed from all sources of funds, there is a slight reduction in the authorized number of positions. The budget proposes to establish 19.3 new positions and delete 32.7 other positions for a net reduction of 13.4 positions. Of the new positions, only eight are budgeted to be funded entirely from the Fish and Game Preservation Fund and most of these are to staff the Imperial Valley Hatchery. All of the position reductions stem from completion or termination of reimbursed or cooperative projects.

The department's programs are as follows: enforcement of laws and regulations, wildlife, inland fisheries, anadromous fisheries, marine resources, water projects and water quality, and administration.

ANALYSIS AND RECOMMENDATIONS

We recommend approval.

ENFORCEMENT OF LAWS AND REGULATIONS

The enforcement of laws and regulations program is designed to protect the fish and wildlife resources and to insure that these resources are managed for the enjoyment of all the people of the state. The category includes the four program elements of protection and use regulation of fish and wildlife, licensing, hunter safety and conservation education.

Proposed expenditures are \$6,927,706 compared to \$6,778,464 estimated expenditures in the current year. The financing is almost entirely from state funds.

The department has a staff of about 270 fish and game wardens and supervisory positions who enforce the Fish and Game Code. Their activities include issuing warnings and citations, checking licenses of hunters and fishermen and assisting in the presentation of court cases.

Chapter 1404, Statutes of 1970, requires, in effect, that no resident hunting license be issued to any applicant unless he can document his competency in hunter safety. The department anticipates increased workload from this legislation in the hunter safety program and the budget includes an additional captain position.

Most of the department's revenue comes from the sale of hunting and fishing licenses. These licenses are sold through about 3,600 private firms, located throughout the state, which serve as "license agents." The agents sell the licenses, retain a commission and remit the balance to the department. The licensing management program is budgeted for \$358,017. That amount added to the \$500,000 estimated commission to be retained by the agents indicates the total estimated cost of selling licenses is \$858,017 or about 5.5 percent of the total annual net revenue of \$15,465,000 estimated to be received by the department from licenses, permits and tag sales in 1971-72.

WILDLIFE

The wildlife program is designed to conserve the wildlife resources and habitat, to maintain breeding stock of wildlife species and to provide recreational hunting for the license buyers. The program elements are waterfowl, upland game, big game, and nongame.

The budget proposes expenditures of \$4,348,889 for the wildlife program in comparison to estimated expenditures in the current year of \$4,189,189. Of the total proposed expenditures, 54 percent will be financed by federal funds or reimbursements and the balance by the Fish and Game Preservation Fund. The wildlife program customarily receives a considerable portion of its funding from federal sources or from reimbursements, but next year for the first time over half the program expenditures will be from sources other than the Fish and Game Preservation Fund.

INLAND FISHERIES

Fishing is the most popular recreational activity among the license buyers. The department conducts the inland fisheries program to provide recreational fishing and to insure that the state's native fish are perpetuated. The natural fisheries are not adequate to meet the recreational demand. The department operates hatcheries to fill the gap between natural supply and demand.

Total proposed expenditures for the inland fisheries program are budgeted at \$4,454,406 compared to \$3,952,116 estimated in the current year. About 90 percent of these expenditures are from the Fish and Game Preservation Fund. The balance comes from federal funds for special fishery investigations and reimbursements from other agencies. The program elements are trout, warmwater game fish and other species.

The budget includes \$232,000 in additional funds to equip, operate and man the new warmwater hatchery at Niland in Imperial County which should be in operation this summer. The hatchery will be used to raise catfish for planting in Southern California waters.

Department of Fish and Game—Continued

In the budget year, the department will begin a trout genetics study to improve the brood stock at hatcheries. The investigation, utilizing federal cooperative funds, is budgeted for \$41,000 the first year.

For the Inland Fisheries Program, the budget has \$141,000 in minor capital outlay for six projects. These projects include the replacement of two residences and a propane tank installation at the Hot Creek Hatchery, the rebuilding of a fish trapping facility and the construction of four fish screens.

ANADROMOUS FISHERIES

The objectives of the Anadromous Fisheries Program are to maintain, restore and improve anadromous fish populations and to obtain an optimum harvest of the resources for both recreational and commercial catch. The program elements are (1) salmon and steelhead and (2) striped bass, sturgeon and shad.

The budget proposes program expenditures of \$2,643,228, an amount almost level to current-year estimated expenditures of \$2,657,534. Of the total, 39 percent will be financed by reimbursements and federal funds and the balance by the Fish and Game Preservation Fund.

The budget includes a workload reduction of about 16 man-years of effort as a result of completion of the Delta Fish and Wildlife Protective Study and the Delta Fish Protective Facility Investigation financed by the Department of Water Resources.

In minor capital outlay, the budget includes \$60,000 for construction of the West Stanislaus fish screen.

MARINE RESOURCES

The objectives of the Marine Resources Program are to maintain the species of marine fish and wildlife and to provide for recreational, commercial, scientific and educational uses of the resource. The program elements include big game, coastal, bottom, pelagic and shellfisheries, and marine fisheries statistics. Proposed expenditures are \$2,878,573 in the budget year compared to \$2,708,027 in the current year. Approximately 85 percent of the funding is from the Fish and Game Preservation Fund and 15 percent from federal funds and reimbursements from other agencies.

The budget includes additional federal cooperative funding to begin the kelp management program, to conduct studies on the biological effects of pesticide residues in marine fish and to complete the staffing of the newly completed marine laboratory. A total of 4.5 man-years of effort is involved in these three new workload increases.

WATER PROJECTS AND WATER QUALITY

The objectives of the Water Projects and Water Quality Program are to protect and augment fish and wildlife resources and their habitat. The budget proposes expenditures of \$1,700,376 compared to current-year estimated expenditures of \$1,733,173. Of the total amount expended for the program, 81 percent will be financed by the Fish and Game Preservation Fund and 19 percent by reimbursement from other

agencies such as the Department of Water Resources and the Water Resources Control Board. The department activities in this program include review of water related construction projects, investigations of biological aspects of water quality and water pollution problems and recommendations on applications to appropriate water and on various state and federal water project plans.

The budget includes \$66,600 from the Water Resources Control Board to continue the toxicity and biostimulation investigation begun in the current year.

ADMINISTRATION

The program budget for the department itemizes \$1,958,076 in administration costs compared with \$1,833,421 estimated to be expended in the current year. These costs are prorated to the programs on the basis of the ratio of the cost of each program to the total costs of the department's program. Administration costs include the Fish and Game Commission, departmental and regional administration and planning, fiscal, personnel services, state fiscal and administrative pro rata charges and Sacramento headquarters' rent. Fiscal and administrative pro rata charges increase \$80,000 which accounts for most of the program increase.

Department of Fish and Game

PROGRAMS IN COOPERATION WITH THE FEDERAL GOVERNMENT

Item 193 from the Fish and Game

Preservation Fund

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Requested 1971-72	-----	\$3,780,900
Estimated 1970-71	-----	2,917,100
Actual 1969-70	-----	2,982,967
Requested increase \$863,800 (29.6 percent)		
Increase to improve level of service \$185,000		
Total recommended reduction	-----	None

ANALYSIS AND RECOMMENDATIONS

We recommend approval.

The discussion of the programs funded by this item is included in the analysis of Item 192, the support of the Department of Fish and Game.

These cooperative programs are based on three federal acts as follows:

1. Federal aid in Wildlife Restoration Act (Public Law 75-415) known as the Pittman-Robertson Act.
2. Federal aid in Fish Restoration Act (Public Law 81-681) known as the Dingell-Johnson Act.
3. Commercial Fisheries Research and Development Act (Public Law 88-309) known as the Bartlett Act.

Programs in Cooperation with the Federal Government—Continued

This item consists of \$2,835,675 in federal funds and \$945,225 in matching Fish and Game Preservation Funds. Table 1 indicates the source of funding for each of the three programs.

Table 1
Funding Summary of Cooperative Programs

	<i>Federal funds</i>	<i>State funds</i>	<i>Total</i>
Wildlife management (restoration)	\$2,000,925	\$666,975	\$2,667,900
Fisheries management (restoration)	588,750	196,250	785,000
Commercial fisheries research and development -----	246,000	82,000	328,000
Totals -----	\$2,835,675	\$945,225	\$3,780,900

The increase of \$863,800 in the total amount of the requested appropriation stems mostly from the transfer of funding for 42 unit managers from support to federal cooperative funding in order to save the Fish and Game Preservation Fund \$429,000. Other portions of the increase are due to two development projects, \$82,000 at the Los Banos Wildlife Area for the development of a checking station and parking lot and \$130,000 at the Imperial Wildlife Area for tiling to control salinity levels. Finally, about \$103,000 in additional funding is requested for new studies and investigations pertaining to trout genetics, kelp, pesticides in marine species and increased staffing for the shellfish laboratory.

Over the years the department has carried a balance of allocated but unexpended and unbudgeted federal moneys available to the state in these cooperative programs. The total estimated balance of federal funds from the three programs available to the department at the end of the budget year is \$2,527,139. This amount consists of \$1,331,996 in Pittman-Robertson funds, \$883,772 in Dingell-Johnson funds and \$311,371 in the Bartlett funds. The department's reason for carrying the surplus is to provide a reserve to finance ongoing cooperative programs for approximately a year in case there should be some restriction or other adverse development in the availability of federal money.

The Wildlife Conservation Board also utilizes some of the cooperative federal funds. For example, in the current year, \$300,000 of Pittman-Robertson funds were used to match money from the Wildlife Restoration Fund to acquire additional acreage at the Gray Lodge Wildlife Area in Butte County, a facility operated by the Department of Fish and Game.

Department of Fish and Game
PACIFIC MARINE FISHERIES COMMISSION

Item 194 from the Fish and Game
 Preservation Fund

Vol. II p. 363 Budget p. 134

Requested 1971-72	\$15,300
Estimated 1970-71	15,300
Actual 1969-70	15,300
Total recommended reduction	\$700

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

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1. *Reduce \$700* to conform appropriation to budget adopted 441 by the commission.

GENERAL PROGRAM STATEMENT

The Pacific Marine Fisheries Commission was established in 1947 by an interstate compact. The purpose of the commission is to promote the utilization of ocean fisheries of mutual concern to the member states of California, Oregon, Washington, Alaska and Idaho.

The commission is headquartered in Portland, Oregon. The staff consists of an executive director and a secretary and some occasional temporary help. The three California representatives on the commission are appointed by the Governor.

ANALYSIS AND RECOMMENDATIONS

We recommend the appropriation be reduced by \$700.

Most of the commission expenditures go to finance the staff in Portland and for travel expenses to hold the annual meeting.

The commission is supported by annual contributions from the member states. Each state's contribution is determined on the basis of (1) 80 percent of the required funding being shared equally by the four states having the Pacific Ocean as a boundary and (2) the balance being largely shared on the basis of market value of commercial fisheries' products in each member state. The commission's 1971-72 budget provides for funding as follows:

Alaska	\$15,500
California	14,600
Idaho	2,900
Oregon	12,300
Washington	12,700
	<u>\$58,000</u>

This appropriation should be \$14,600, a reduction of \$700, to conform to the commission's budget.

Department of Fish and Game
MARINE RESEARCH COMMITTEE

Item 195 from the Fish and Game
 Preservation Fund

Vol. II p. 363 Budget p. 133

Requested 1971-72	-----	\$227,400
Estimated 1970-71	-----	120,200
Actual 1969-70	-----	56,995
Requested increase \$107,200 (89.2 percent)		
Increase to improve level of service \$107,200		
Total recommended reduction	-----	None

GENERAL PROGRAM STATEMENT

The Marine Research Committee consists of nine members appointed by the Governor. Most of the members represent the commercial fishing industry. As provided in Section 8046 of the Fish and Game Code, support for the committee comes from a privilege tax of 5 cents for each 100 pounds of sardines, pacific and jack mackerel, squid, herring and anchovies taken by commercial fishermen. The privilege tax expires on December 31, 1972.

The purpose of the committee, as specified in Section 729 of the Fish and Game Code, is to finance "... research in the development of commercial fisheries of the Pacific Ocean and of marine products" The committee enters into contracts with such agencies as the National Marine Fisheries Service, Scripps Institution of Oceanography, California Academy of Sciences, Hopkins Marine Station and the Department of Fish and Game to carry on research activities.

ANALYSIS AND RECOMMENDATIONS

We recommend approval.

The committee requests an appropriation of \$227,400 for the 1971-72 budget, an increase of 89.2 percent over estimated expenditures of \$120,200 in the current year. The increase is based upon additional revenues in current and budget years from the taking of anchovies for reduction purposes. The Fish and Game Commission has set an anchovy limit of 110,000 tons for the current year.

The committee's operating reserve on June 30, 1970, was \$134,277 and the reserve on June 30, 1971, is estimated to be \$139,827. The revenue for the budget year is estimated at \$140,500. The budget year contains a substantial increase in expenditures over the current year because the committee is requesting an increase in its appropriation to match anticipated revenues and to use some reserve.

During the current year, the committee filled the coordinator position which has been vacant for several years.

The 1971-72 Budget includes an allocation of \$66,500 to the National Marine Fisheries Service for development of an improved system of estimating anchovy population, foods for anchovy larvae in the rearing laboratory, and the development of improved fishing gear and methods. The committee is allocating \$54,000 to the Scripps Institution for the

placement of two buoys in the California Current for the collection of such data as temperature and salinity. The Department of Fish and Game will receive \$25,000 to begin a jack mackerel study, including tagging and genetics. The department indicates the jack mackerel is a large resource, but at the present time the industry is just fishing the fringes of that resource.

Department of Fish and Game
WILDLIFE CONSERVATION BOARD

Item 196 from the Wildlife Restoration**Fund****Vol. II p. 388 Budget p. 135**

Requested 1971-72	\$121,951
Estimated 1970-71	124,247
Actual 1969-70	109,023
Requested decrease \$2,296 (1.8 percent)	
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 Assembly act as an advisory group. The board has a staff of six. The board's function is to acquire areas to sustain wildlife, provide recreation and furnish public access to lands or waters for fishing, hunting and shooting.

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. Without this diversion, the money would go to the General Fund. Projects authorized for acquisition and construction by the board are not subject to Budget Bill appropriation. This item only appropriates funds for the support of the board staff from the Wildlife Restoration Fund.

ANALYSIS AND RECOMMENDATIONS*We recommend approval.*

As of August 1970, the Wildlife Conservation Board had allocated over \$24,644,000 for various acquisition and construction projects. These projects include launching ramps and piers, areas for game habitat development, fish hatcheries and hunting access. Completed projects are operated and maintained by local government or the Department of Fish and Game. Most of the money expended by the board, although nominally General Fund money, has gone for the direct benefit of hunters and fishermen. The Department of Fish and Game conducts most of the state's programs to benefit sportsmen but uses license fees instead.

Wildlife Conservation Board—Continued

In addition to the \$750,000 continuing appropriation, the board, in recent years, has received funding from several other sources. The State Recreation Bond Act of 1964 provided \$5 million of General Fund money to the board. Federal funds under the Land and Water Conservation Act and the Anadromous Fish Act are also available to the board. Finally, the State Recreation and Fish and Wildlife Enhancement Bond Act of 1970 provides \$6 million of General Fund money to the Wildlife Conservation Board for design and construction of fish and wildlife enhancement and fishing access sites in connection with state water projects. In Item 326 the board is requesting \$180,000 from the 1970 bond act to prepare preliminary plans and working drawings for seven fish hatchery expansion projects.

KLAMATH RIVER COMPACT COMMISSION

Item 197 from the General Fund

Vol. II p. 394 Budget p. 137

Requested 1971-72	-----	\$9,725
Estimated 1970-71	-----	6,355
Actual 1969-70	-----	7,575
Requested increase \$3,370 (53.0 percent)		
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 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 has no staff and therefore relies on contracts with public and private entities for necessary services. 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 RECOMMENDATIONS

We recommend approval.

The commission requested \$6,355 in last year's budget. Its budget request in 1971-72 is \$9,725 or \$3,370 greater than last year. This increase is necessary chiefly for contract studies of the water rights of the Klamath Indians.

DEPARTMENT OF NAVIGATION AND OCEAN DEVELOPMENT

Items 198, 199, 200, and 201 from the
General Fund and the Harbors and
Watercraft Revolving Fund

Vol. II p. 395 Budget p. 138

Requested 1971-72 -----	\$1,331,093
Estimated 1970-71 -----	1,266,862
Actual 1969-70 -----	1,234,284
Requested increase \$64,231 (5.1 percent)	
Increase to improve level of service \$28,637	
Total recommended reduction -----	\$128,344

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

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1. Boating Facilities. Recommend department shift its planning effort to boating facilities at State Water Project reservoirs in southern California. 448

2. Boating Facilities. Recommend that Harbors and Watercraft Revolving Fund finance construction of boating facilities at State Water Projects. 450

3. Item 201. Boating Facilities. Reduce \$100,000. Recommend contracts for feasibility determinations be reduced based on experience and estimates needs. 451

4. Item 198. Beach Erosion Control. Reduce \$28,344. Recommend vacant positions be deleted based on reduced level of program activity. 453

5. Item 199. Comprehensive Ocean Area Plan Development. Recommend appropriation for development of the plan be limited to gathering planning data until the Legislature establishes a planning process and enforcement authority. 453

GENERAL PROGRAM STATEMENT

The four Budget Bill items which appropriate funds for the support of the Department of Navigation and Ocean Development are:

1. Item 198, \$133,537, General Fund.
2. Item 199, \$150,640, Comprehensive Ocean Area Plan, General Fund.
3. Item 200, \$896,916, Harbors and Watercraft Revolving Fund.
4. Item 201, \$150,000, Feasibility Determinations, Harbors and Watercraft Revolving Fund.

The Department of Navigation and Ocean Development is the successor to the former Department of Harbors and Watercraft, pursuant to the Governor's Reorganization Plan No. 2 of 1969.

The program objectives of the department are to develop and improve the waterways and boating facilities in the state, to promote the safety of persons and property in the operations of boating vessels on state waters, to promote the uniformity of boating laws, to conduct a

Department of Navigation and Ocean Development—Continued

beach erosion control program in cooperation with the federal government and local agencies and to develop a comprehensive ocean area plan.

The Navigation and Ocean Development Commission, consisting of seven members, serves in an advisory capacity to the department.

The statutory authority of the department's programs are included in Divisions 1 and 3 of the Harbors and Navigation Code. Section 8800 of the Government Code requires the Governor to prepare the Comprehensive Ocean Area Plan. This project was transferred into this department by the 1970 Budget Act.

Sources of Funding

The department's programs are funded by the annual transfer of \$4 million from the Motor Vehicle Fuel Fund to the Harbors and Watercraft Revolving Fund, by revenues from boat registration fees and by the General Fund for certain specified activities. The money from the Motor Vehicle Fuel Fund is based on the fuel taxes paid by boaters.

Chapter 1535, Statutes of 1970, provided for the annual, increased transfer of amounts from the Motor Vehicle Fuel Fund to the Harbors and Watercraft Revolving Fund as follows:

1970-71	1971-72	1972-73 (and each year thereafter)
\$5,200,000	\$5,600,600	\$6,000,000

The amounts of the transfer were based on a report made by the Department of Public Works, after consultation with the Department of Navigation and Ocean Development, and represent a current estimate of the revenue received in the Motor Vehicle Fuel Fund from taxes imposed on motor vehicle fuel used in propelling vessels. Although the legislation passed and was signed by the Governor, the bill was chaptered out by other legislation amending the same section of the Revenue and Taxation Code.

The department indicates that legislation will be introduced in this session to increase the amount of the annual transfer consistent with the bill that passed in the 1970 session. Therefore, the fund condition statement for the Harbors and Watercraft Revolving Fund includes the budget year revenue entry "transfer from Motor Vehicle Fuel Fund (pending legislation) \$2,800,000." The \$2,800,000 represents the added amount that would have been transferred in 1970-71 and 1971-72 had Chapter 1535, Statutes of 1970, become law.

The revenue from boat registration fees for 1969-70 was \$584,197 and is estimated to be \$600,000 in 1970-71 and \$1,155,000 in 1971-72.

The General Fund provides support for the beach erosion control program, part of the review of federal navigation permit applications and the Comprehensive Ocean Area Plan development.

Repayment of California Water Fund Loans

Item 421.5, Budget Act of 1958, appropriated \$5,000,000 from the Investment Fund (predecessor to the California Water Fund) to be used as loans for the development of small boat harbors and waterways by the then Division of Smaller Craft Harbors. Loans were made from that appropriation. The principal and interest payments made to the state on the loans have been deposited in the California Water Fund. The outstanding balance of principal on July 1, 1971, is estimated to be \$3,300,000.

The 1971 Budget Bill, in Control Section 19.4, provides for the transfer from the Harbors and Watercraft Revolving Fund to the California Water Fund of the outstanding balance on loans made pursuant to the provisions of Item 421.5 of the 1958 Budget Act. The California Water Fund will continue to receive repayment of principal and interest on the loans up to the date of the above transfer but, thereafter the payments will be paid to the Harbors and Watercraft Revolving Fund. The effect of the transfer is that the Harbors and Watercraft Revolving Fund will assume the financing for the outstanding boating facility development loans originally made from the California Water Fund in 1958. Also, Budget Bill Control Section 19.5 provides that the amount of money transferred from the Harbors and Watercraft Revolving Fund to the California Water Fund shall be transferred by the Controller to the General Fund. The effect of this second transfer is to make available to the General Fund \$3,300,000 that would otherwise be available for construction of the State Water Project.

Fund Surplus

On July 1, 1970, the accumulated surplus in the Harbors and Watercraft Revolving Fund was \$4,420,206. The surplus is estimated to be \$274,257 at the end of the budget year. The Governor's Budget is balanced by including as revenues to the fund \$2,800,000 additional transfer from the Motor Vehicle Fuel Fund which will require legislation at this session.

Position Changes

At the beginning of the current year, the department had 53.1 authorized positions. The budget proposes funding of 65.6 positions. During the current year 6.5 positions were transferred to the department from the Resources Agency for preparation of the Comprehensive Ocean Area Plan. The additional positions include a Deputy Director. Other staff increases are for a new program of vessel waste disposal and for the added workload in the local assistance law enforcement program and in the design and construction of boating facilities at units of the state park system.

Department Programs

The department's programs are as follows: boating facilities, boating safety and regulation, brokers and for-hire operators licensing, beach erosion control, comprehensive ocean area plan development and general management.

Department of Navigation and Ocean Development—Continued
ANALYSIS AND RECOMMENDATIONS

The Governor's Reorganization Plan No. 2 of 1969 indicated the primary emphasis of the Department of Navigation and Ocean Development would be shifted to ocean-oriented activities. Statutorily, most of the programs remain boater oriented, as was the case when the organization was the Department of Harbors and Watercraft.

The Governor's reorganization message, however, apparently serves as the basis for the new department to include in its budget narrative such new objectives as "to establish in cooperation with the federal government priorities for investigations and projects related to waterborne transportation." As desirable as the objective may be for the state, some statutory clarification needs to be made of the new department's role, if any, in waterborne transportation.

BOATING FACILITIES

The objective of the Boating Facilities Program is to develop and improve the waterways and boating facilities of the state. The department provides loans and grants to local agencies for construction of small craft harbors and facilities, and also plans, designs, and constructs boating facilities for the state park system. Program expenditures are budgeted at \$646,709 for next year compared to estimated expenditures of \$604,938 in the current year. Workload increases include the addition of two man-years for the department's new responsibilities for planning and design of boating facilities in state parks. Environmental impact reports will need to be prepared on most reports.

The support costs, output for new work (exclusive of carryover projects) and man-years in the Boating Facilities Program are as follows:

1. One launching facility grant of \$120,000 with support costs of \$145,778; 6.2 man-years.
2. Four harbor development and planning loans totaling \$4,150,000 with support costs of \$366,315; 9.2 man-years.
3. One major and two minor capital outlay projects totaling \$177,000 with support costs of \$80,537; 3 man-years.

The balance of program costs of \$54,079 supports the department's review of Corps of Engineers navigation permits and concession agreements involving harbor development loans.

Launching Facilities

We recommend that the Department of Navigation and Ocean Development be directed to shift its planning effort from a search for more grant projects in 1971-72 and concentrate on boating facilities at State Water Project reservoirs in southern California.

The department has two program elements which finance support work to provide launching facilities. One involves grants to local agencies for launching facilities and the other involves planning for capital outlay construction of boating facilities for the state park system, including State Water Project reservoirs. The two elements are budgeted for \$226,315 in support costs covering 9.2 man-years.

The Governor's Budget includes two launching facilities in 1971-72. One is a grant of \$120,000 to Butte County for extension of a launching facility at Lime Saddle, Oroville Reservoir. The other is a capital outlay project of \$155,000 for a launching facility near Fresno at Millerton Lake State Recreation Area, a unit of the state park system.

In its grant program description the department indicates that almost all past and present grant projects have been initiated by local government. According to the department, there has been an increasing reluctance by local agencies to apply for grants because: (1) the sponsor must bear the cost of a project feasibility report; (2) the sponsor must agree to maintain and operate the facility at its own expense for 20 years; and (3) there is a scarcity of suitable sites.

The department indicates that it plans to take the initiative in the development of launching facilities. A study is underway to evaluate possible sites located under or adjacent to bridges on land owned by the Division of Highways. Also, the department is considering making its own feasibility reports or financing contract preparation of the reports.

The Department of Navigation and Ocean Development is responsible for planning, design and construction of boating facilities in the state park system, which includes reservoirs of the State Water Project. While there is an obvious and known demand for boating facilities at southern California water project reservoirs, the department indicates it is still looking for sites for its grant program. First priority should be given to meet demands where known deficiencies exist, especially when certain reservoir launching facilities should be constructed prior to the arrival of project water. Most of the present effort to administer the grant program should be shifted to planning and design functions for boating facilities at water project reservoirs in southern California.

The fact that there are no capital outlay expenditures scheduled for launching facilities at Perris and Pyramid Reservoirs in 1971-72, plus the fact that such work is deferred until 1972-73, are matters for concern. There have been major overall slippages in the construction of general recreation facilities at reservoirs in southern California because of the transfer of launching facility responsibility from the Department of Parks and Recreation to the Department of Navigation and Ocean Development, because of confusion in the planning processes, because of changes in plans, and because of revisions in funding of previously authorized projects to compensate for General Fund shortages.

Water is presently scheduled for delivery at Perris and Pyramid Reservoirs in 1973. To meet this schedule the department should be planning launching facilities for these reservoirs in the budget year and preparing working plans and drawings. Therefore, in addition to recommending that planning on these projects be provided by a shift in the planning program for 1971-72, this analysis is also recommending that funds be added in Item 305 to provide capital outlay money to start working plans and drawings for these two projects in 1971-72.

Department of Navigation and Ocean Development—Continued

Policy Needed on Funding for Boating Facilities at State Water Projects

We recommend that the Harbors and Watercraft Revolving Fund, rather than the Recreation and Fish and Wildlife Enhancement Bond Fund (General Fund), be used to finance the construction of boating facilities at State Water Projects.

Last fall the voters approved the State Recreation and Fish and Wildlife Enhancement Bond Act of 1970. The act provides \$54,000,000 to the Department of Parks and Recreation for design and construction of recreation facilities in connection with State Water Projects. Many of these recreation projects will require boating facilities, including launching ramps. The State Water Project reservoirs of southern California provide some excellent opportunities to satisfy the obvious boating demands in that part of the state.

The Department of Navigation and Ocean Development and the Department of Parks and Recreation have entered into a general agreement covering funding of boating facilities development in the state park system. Financing from the Harbors and Watercraft Revolving Fund is to be limited to \$500,000 annually averaged on a two-year basis and will be used according to the following project priorities for boating facilities:

1. State park system, excluding State Water Project reservoirs. First priority because neither Recreation and Wildlife Enhancement Bond Funds nor General Fund money are available.
2. State park system State Water Project reservoirs to be operated by the Department of Parks and Recreation. Second priority because bond funds are available.
3. State park system State Water Project reservoirs to be operated by outside agencies. Lowest priority because no guarantee that policy on user charges would be adopted.

State policy needs to be established for financing boating facility projects at water project reservoirs. The State Recreation and Fish and Wildlife Enhancement Bond Act of 1970 makes available \$54,000,000 of General Fund money to the Department of Parks and Recreation for recreation facilities at State Water Projects. On the other hand, the boaters have their special department and fund to construct boating facilities. The boaters' fund does not contribute to the maintenance of the facilities or the daily maintenance of the area in which the boating facility is located. The Harbors and Watercraft Revolving Fund should finance the basic boating facilities including ramps, piers, boat slips, berthing facilities and boat-in picnic and camping facilities even though bond funds can legally be used. Parking and restroom facilities should be constructed with bond funds unless these facilities are to be used exclusively by boaters.

Our recommended policy above would be consistent with the administration's proposal in the budget to have the Harbors and Watercraft Revolving Fund repay the boating facility loans made from the Investment Fund in 1958, i.e., the boaters finance their own facilities.

The proposed policy restricting Harbors and Watercraft Revolving

Fund contributions of \$500,000 annually to all project categories is inappropriate. The boater's fund should finance projects where the need for boating facilities exists, rather than being restricted by a limit that has no relation to need. That need now is for boating facilities in southern California at water project reservoirs.

Feasibility Determination

We recommend that Item 201, which finances contracts for feasibility determinations, be reduced by \$100,000.

Chapter 901, Statutes of 1970, appropriated \$150,000 to the Department of Navigation and Ocean Development for fiscal year 1970-71 from the Harbors and Watercraft Revolving Fund. The funds are to be used for contracts with private consulting firms to establish financial and engineering feasibility for small craft harbor and boating facility projects to justify appropriation requests or processing of project loans and grants. So far in the current year the department has encumbered \$10,000 of the \$150,000 appropriated last year.

The department requests \$150,000 for contract authority in the budget year. Although the department's future contractual needs cannot be precisely identified, \$50,000 is reasonable for contracting purposes based on the experience to date. Therefore, we recommend the appropriation for this purpose be reduced to \$50,000 for a savings of \$100,000.

Harbors of Refuge

The Budget Act of 1968 included a capital outlay appropriation to the department for investigation of possible harbors of refuge at Cojo, Santa Barbara County, and in the Fort Bragg area of Mendocino County. A consultant has recommended sites at Cojo and the department is making further investigations about the effect of the project in that area of the shoreline. Environmental impact studies will be needed for these two projects, if projects are eventually proposed.

BOATING SAFETY AND REGULATION

The objective of the Boating Safety and Regulation Program is to prevent death, injuries and property damage from boating on the state's waterways. The program elements include safety and education, law enforcement, and vessel waste disposal, a new program to begin in the budget year. Proposed expenditures in the budget year are \$285,063, compared to estimated current year expenditures of \$267,474.

Chapter 1354, Statutes of 1969, increased boat registration fees and provided for the allocation of the increase to counties and the State Department of Parks and Recreation for the enforcement of boating laws. A local assistance appropriation of \$120,000 was made for the current year and the budget bill includes a local assistance appropriation in Item 205 of \$275,000 for 1971-72. A deficiency expenditure of \$38,325 was authorized by the Department of Finance in the current year to finance additional staff and operating expenses in administering the program.

Chapter 1270, Statutes of 1970, requires that aid to the Department of Parks and Recreation for boating safety and enforcement programs

Department of Navigation and Ocean Development—Continued

from the Harbors and Watercraft Revolving Fund be based on an annual boat entry count. The statute also provides that fees for the use of boating facilities in the state park system be deposited in the Harbors and Watercraft Revolving Fund rather than the General Fund. The General Fund will continue to finance maintenance of the boating facilities. The Department of Parks and Recreation, in Item 209, requests \$169,000 from the Harbors and Watercraft Revolving Fund for boating law enforcement. The Governor's Budget indicates that an estimated \$169,000 in boat user fees from the state park system will be deposited in the Harbors and Watercraft Revolving Fund in 1971-72. Thus, the program has no net effect on the state park system.

Vessel Waste Disposal

The department proposes a new program element, vessel waste disposal, with the objective of a uniform and equitable solution to the problem of waste discharge from vessels. The project will require \$28,637 in expenditures and two man-years of effort which have been added to the budget. The general activities will include consideration of the various methods of vessel waste discharge control to provide water quality standards deemed appropriate by the Water Resources Control Board. Draft legislation will be prepared along with administrative regulations and recommendations for enforcement responsibilities.

Boat Registration

Pursuant to the Governor's Reorganization Plan No. 2 of 1969, the boat registration function was transferred from the Department of Navigation and Ocean Development to the Department of Motor Vehicles. In the budget year, the Department of Motor Vehicles will receive \$594,569 from the Harbors and Watercraft Revolving Fund to perform the registration function compared to \$395,690 in the current year. The increase is \$198,879 or 50.3 percent.

About \$150,000 to \$160,000 of the increase is caused by the new practice of annual boat registration renewals which will begin in 1972. The balance of the added cost is for merit salary adjustments and increased costs in operating expenses.

Chapter 1354, Statutes of 1969, increased boat registration fees and provided for annual renewals, rather than triennial renewals, as had been the prior requirement, to provide revenue for allocation to local agencies for boating law enforcement. The renewal fee was doubled from \$3 for a three-year period to \$2 annually. Based on an estimate of 400,000 renewals annually, the revenue should be \$800,000.

When the bill increasing the fees was before the Legislature, the Department of Navigation and Ocean Development estimated its added costs to perform the annual renewal would be about \$67,000 each year, since its cost every third year for the registration renewal function was about \$100,000. The registration function has since been transferred to the Department of Motor Vehicles and the increase for annual renewals will be \$150,000 in the budget year. Comparing estimated increased costs of \$150,000 for each year of a three-year period to estimated costs

of \$150,000 every third year for the former triennial registration, the net increase in costs of annual registration as prepared by the Department of Motor Vehicles is \$300,000 over three years.

The Department of Navigation and Ocean Development desires annual renewals to maintain an accurate file for boating identification, safety and enforcement programs. The advantage of securing accurate files through annual renewals must be weighed against the added annual costs of \$100,000 to provide this benefit.

The fund condition statement for the Harbors and Watercraft Revolving Fund indicates \$1,155,000 in estimated revenue from boat registration fees in 1971-72. The Department of Motor Vehicles estimates the revenue from boat registration fees in 1971-72 will be \$1,459,550, or approximately \$300,000 more than the estimate of the Department of Navigation and Ocean Development. The latter department indicates that the estimate of the Department of Motor Vehicles is probably more reliable.

BEACH EROSION CONTROL

We recommend two vacant positions in the Beach Erosion Control Program be deleted from Item 198 for a savings of \$28,344 plus related expenses to the General Fund.

The Beach Erosion Control Program was transferred from the Department of Water Resources to the Department of Navigation and Ocean Development by the Governor's Reorganization Plan No. 2 of 1969. The objectives of the program are to study and report on the problems of beach erosion and prepare plans and construct works necessary to stabilize and replenish beach areas. The program involves mostly cooperative efforts with the federal government but there are some independent state investigations. The projects are usually constructed by the U.S. Corps of Engineers.

The support costs for beach erosion control are budgeted at \$129,375 in 1971-72, compared to estimated current year expenditures of \$174,683, a reduction of \$45,308. The reduction stems from termination of contract payments to the U.S. Corps of Engineers for special investigations involving beach erosion. The budgeted amount of \$129,375 supports six positions assigned to the program. Two of those positions, a senior and an assistant engineer, are vacant because of a reduced level of activity by the Corps of Engineers and the state in beach erosion matters. A third position has been assigned for the time being to assist in the preparation of the Comprehensive Ocean Area Plan. The program budget should properly reflect this shift of assignment. Presently, three positions are adequate to carry out the workload required for the current level of activities in beach erosion and we recommend the two vacant positions be deleted for a savings to the General Fund of \$28,344 plus related expenses.

COMPREHENSIVE OCEAN AREA PLAN DEVELOPMENT

It is recommended that the appropriation for COAP be limited to gathering planning data until the Legislature establishes a statutory planning process and some type of enforcement authority.

Department of Navigation and Ocean Development—Continued

The objective in this program is preparation of the Comprehensive Ocean Area Plan scheduled for completion early in 1972. The budget includes General Fund financing of \$150,640 in 1971-72 compared to estimated current year expenditures of \$145,840 in state funds. The current year budget also includes \$120,000 in federal grants which have yet to be received.

Chapter 1642, Statutes of 1967, directed the Governor to prepare the California Comprehensive Ocean Area Plan (COAP) for the orderly conservation and development of marine and coastal resources. The statute established no organization or method to prepare the plan nor did it define the plan in specific terms. The Governor by executive order established the Interagency Council on Ocean Resources (ICOR) to prepare the plan. The council consists of the Lieutenant Governor, who serves as chairman, the secretaries of the Resources Agency, Transportation Agency, and Health and Welfare Agency, and the chairman of the State Lands Commission. A small staff attached to the Resources Agency was established and began preparation of the COAP, funded by an appropriation made to the Resources Agency.

Last year the budget bill as introduced provided an appropriation to the Lieutenant Governor to prepare COAP. The 1970 Budget Act, however, transferred the COAP appropriation to the Department of Navigation and Ocean Development pursuant to a general agreement. On that basis, the staff preparing the plan was transferred from the Resources Agency to the Department of Navigation and Ocean Development. Meanwhile, the executive order of the Governor which created the Interagency Council on Ocean Resources (ICOR) remains in existence although for all practical purposes ICOR does not have a staff and does not meet formally on matters pertaining to the Comprehensive Ocean Area Plan. The department's program manager, who is responsible for the plan, reports to the department director; but in his capacity as executive secretary of ICOR, he reports to the Lieutenant Governor.

In March 1970, seven positions from the Division of Soil Conservation were administratively assigned to the preparation of the COAP and to contacting local entities along the coast to gather local plans and other information about the coastal areas. The positions were funded by the appropriation made to the Department of Conservation for the Division of Soil Conservation. At the end of fiscal year 1969-70, the Department of Conservation reduced the support level of its soil conservation program pursuant to the budget act. No alternate source of funding for the borrowed staff was provided and the extra staff assistance was terminated.

Although there is no statutory deadline, the administration has long had a goal of completing the COAP by the spring of 1972. Progress to date is fairly well on schedule, but it primarily has involved data gathering. The COAP staff indicates there will be some delays and perhaps omissions and reduced quality without the expected federal funding for economic studies. A significant narrative input by departments with special interests in the California shoreline is currently being written.

An outline has been prepared of the chapters and drafting assignments made to various departments for material that will ultimately appear in the plan. The outline includes (1) physical environment and resources, (2) man's uses of the coastal zone, (3) quality of the coastal zone environment, (4) analysis and reconciliation of conflicting demands, (5) objectives, problems and policies, and (6) government management of the coastal zone.

Last session the Legislature considered four different bills to establish a new coastal zone management commission or authority which was intended to plan and administer coastal zone affairs as a joint undertaking between state and local government. None of the bills passed but were the subject of an interim hearing at which time it was indicated that similar legislation would be reintroduced this session. The legislative approach to coastal zone management has involved establishing a new coastal zone agency, while on the other hand, the approach of the Department of Navigation and Ocean Development, the Interagency Council on Ocean Resources, and the California Advisory Commission on Marine and Coastal Resources (CMC), all within the executive branch, has been to establish a coastal zone management function based largely on administrative authority. This administrative structure has been derived from a combination of the statutory authority of CMC to study coastal problems and advise in the preparation of the COAP plus executive orders. In addition, there have been a variety of public statements regarding a presumed capability and effectiveness of the COAP to be carried out by administrative action. More recently there have been indications that the plan will contain recommendations on implementation which will be enacted by the Legislature. In any event, the planning and administrative mechanisms, the type of coastline regulation proposed and the extent of the regulation are different for the executive and legislative approaches.

At the present time, the collection and collation of coastline data, the inventory of present developments, the photographing of the coastline, and the narrative material from various state agencies, as described above, all provide useful information for any coastal zone planning and management effort. The next step, the preparation of a plan, should be deferred until the Legislature determines the contents of the plan, how it will be prepared, who will prepare it, and how it will be enforced and administered.

The present effort to produce a COAP has all the deficiencies of the effort to produce the State Development Plan and will probably be no more effective or useful than that document. In addition, the funding available for COAP and its related activities is insufficient this year or next year to perform the planning job adequately. Finally, there is no decision making procedure to resolve conflicts between state agencies and local government when planning conflicts arise between them. (Presumably, conflicts between state agencies will be resolved by ICOR.) It is therefore concluded that the COAP effort should be limited to data gathering and inventory work (the first three of the six subjects outlined above) until the Legislature specifies how any planning effort should be undertaken. Accordingly, we recommend that

Department of Navigation and Ocean Development—Continued

the appropriation language for COAP limit the purposes for which the \$150,640 can be expended to data gathering until such time as a statutory planning process and enforcement authority are enacted.

GENERAL MANAGEMENT

The program budget for the department includes \$230,974 in general management costs compared to \$216,486 estimated to be expended in the current year. General management provides policy formulation and administrative services of accounting, budgeting and personnel. In the current year the department established a deputy director and accompanying secretary position and continued funding for the two positions is requested in the Governor's budget.

Department of Navigation and Ocean Development

BEACH EROSION CONTROL

Item 202 from the General Fund Vol. II p. 404 Budget p. 142

Requested 1971-72	\$52,800
Appropriated for 1970-71	125,000
Appropriated for 1969-70	442,500
Requested decrease \$72,200 (57.8 percent)	
Total recommended reduction	None

ANALYSIS AND RECOMMENDATIONS

We recommend approval.

This item provides the state's contribution to a federal program, executed by the U.S. Army Corps of Engineers, to control erosion and replenish beaches along the shoreline. Project costs are generally financed on the basis of 50 percent by the federal government and 25 percent each by the state and the local agency involved.

One project is budgeted for next fiscal year for beaches in Orange County. The project involves the construction of groins and the placement of sand at Newport Beach as part of the Stage 5, San Gabriel River to Newport Bay project.

The estimated project construction cost is \$320,000, with the Corps of Engineers funding \$214,400, Department of Navigation and Ocean Development \$52,800, Department of Parks and Recreation \$18,480 and the Orange County Harbor District \$34,320.

Department of Navigation and Ocean Development

LOANS FOR PLANNING AND HARBOR DEVELOPMENT

Item 203 from the Harbors

and Watercraft Revolving Fund

Vol. II p. 395

Budget p. 140

Requested 1971-72	\$4,150,000
Appropriated for 1970-71	3,960,000
Appropriated for 1969-70	2,575,000
Requested increase \$190,000 (4.8 percent)	
Increase to improve level of service \$190,000	
Total recommended reduction	Pending

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

Analysis
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1. Fish Harbor Marina, Port of Los Angeles. No recommendation of approval can be made until environmental impact report is prepared. 458
2. Recommend Budget Bill amendment to include schedule of projects and amounts. 459

GENERAL PROGRAM STATEMENT

The Department of Navigation and Ocean Development, as successor to the Department of Harbors and Watercraft, is responsible for developing boating facilities and small craft harbors throughout the state. The department meets this responsibility through a series of loan and grant programs to local agencies of government. This item finances the loan portion of the program and Item 204 finances the grant portion for launching facilities.

The main source of funding for most of the department's local assistance is the Harbors and Watercraft Revolving Fund. That fund receives most of its moneys from the annual transfer of \$4 million from the Motor Vehicle Fuel Fund and revenue from boat registration fees.

ANALYSIS AND RECOMMENDATIONS

The department requests an appropriation to fund harbor development projects totaling \$4,150,000 in loans as follows:

1. Statewide Planning Loans	\$100,000
2. Berkeley Marina, Alameda County	1,500,000
3. Oceanside Harbor, San Diego County	250,000
4. Fish Harbor Marina, Port of Los Angeles	1,500,000
5. San Leandro Harbor, Alameda County	800,000

Total \$4,150,000

The Berkeley Marina project involves the rehabilitation of the existing berthing, constructed in 1936, in the old section of the harbor. The project will provide 347 additional berths with sanitary facilities, utilities and landscaping.

Loans for Planning and Harbor Development—Continued

The loan of \$250,000 for the Oceanside Harbor provides for construction of 31 additional slips, a Coast Guard dock and improved electrical service.

The loan of \$800,000 for the San Leandro Marina is to construct 152 slips and to deepen the basin area.

These three projects involve internal modification of existing harbor facilities and do not appear to have adverse environmental impacts for which an environmental impact report would be required.

Although the budget documents for all of the proposed construction loans do not specifically indicate financial and engineering feasibility of the projects, the department has indicated that all projects are feasible with one reservation about the oceanographic review for the Fish Harbor Marina. The fact that the Fish Harbor Marina project has been included in the budget, when its feasibility is not fully determined, indicates that the department has not yet achieved its goal of budgeting only projects that are determined to be feasible.

Fish Harbor Marina, Port of Los Angeles, and Environmental Impact Reports

We cannot recommend approval of the \$1,500,000 loan for the Fish Harbor Marina because no environmental impact report has been prepared. In addition, until the oceanographic review now being conducted is complete, the feasibility of the project is not established.

The Budget Act of 1969 included a loan of \$1,000,000 for the Fish Harbor Marina. The 1971 Budget Bill includes a second loan of \$1,500,000 for the project. The construction loans totaling \$2,500,000 are to finance a major land fill, dredging and rock revetment to form a small craft harbor with a capacity of 1,100 boats. The harbor improvements such as berthing slips and boat dry storage would be provided by private developers after the harbor is constructed.

The department, in its feasibility report, indicates that the Fish Harbor Marina project is economically justified and is engineeringly feasible subject to satisfactory findings from an oceanographic review now being made by the City of Los Angeles. According to the city's consultant there is a prospect of major water turbulence in the project. The department indicates the review will be completed in April 1971, and that any modifications required by that review can be met within the proposed project funding.

Chapter 1343, Statutes of 1970, the Environmental Quality Act of 1970, specifies that all state agencies shall include, as part of the regular project report used in the review and budgeting process, a statement by the responsible state official setting forth matters involving the environmental impact of any project they propose to carry out which could have a significant effect on the environment of the state. State agencies allocating funds to local government are required to receive from the responsible local government agency a detailed statement of the environmental impact of projects prior to the allocation of any funds. The department has been unable to obtain from local agencies the required reports in the short time since the statute became effective. Boating construction loans have a high risk of adverse environmental impact particularly where dredging and filling are involved.

The Environmental Quality Act of 1970 applies not only to the preparation of the budget by the executive branch of government, but also to the legislative appropriation process. The administration has included the above projects in its budget without having the environmental impact reports. The Legislature could make a similar policy decision. Such a decision would be reasonable during this period of transition when implementation of the act is incomplete. Lacking any legislative guidance on the timing of the implementation of the Environmental Quality Act of 1970, we cannot recommend approval of any high risk project for which the act currently requires completion of a report prior to appropriation of funds.

Budget Bill Schedule of Loans

We recommend that Budget Item 203 be amended to include a schedule of projects funded by the appropriation.

The appropriation for the five loans in this item is a lump sum without identification of projects. This procedure provides the department with unlimited flexibility in transferring funds among the projects within the appropriation. To date we do not know that funds have been transferred from one project to another without notification of the Joint Legislative Budget Committee through a Section 28 letter. However, an improved control would result from a schedule of projects and amounts within the appropriation item the same as in major capital outlay items. This procedure would increase legislative control over the funding and facilitate historical review of appropriations.

Department of Navigation and Ocean Development

LAUNCHING FACILITY GRANTS

Item 204 from the Harbors and
Watercraft Revolving Fund

Vol. II p. 397 Budget p. 139

Requested 1971-72	\$120,000
Appropriated for 1970-71	1,024,000
Actual 1969-70	959,600
Requested decrease \$904,000 (88.3 percent)	
Total recommended reduction	None

ANALYSIS AND RECOMMENDATIONS

We recommend approval.

This item appropriates \$120,000 to Butte County to expand the existing boat launching facility at Lime Saddle, Oroville Reservoir, from two to four lanes and provide additional parking area and sanitary facilities. Because this is an expansion of an existing facility, we are not recommending that it not be approved pending preparation of an environmental impact report.

Department of Navigation and Ocean Development

BOATING LAW ENFORCEMENT

Item 205 from the Harbors and
Watercraft Revolving Fund

Vol. II p. 401 Budget p. 141

Requested 1971-72	-----	\$275,000
Estimated 1970-71	-----	120,000
Requested increase \$155,000 (129 percent)		
Increase to improve level of service \$155,000		
Total recommended reduction	-----	None

GENERAL PROGRAM STATEMENT

Chapter 1354, Statutes of 1969, increased boat registration fees for undocumented vessels and provided for the allocation of the revenue from the increased fees to counties and to the State Department of Parks and Recreation for the support of boating safety and enforcement programs.

The purpose of the assistance program is to allocate revenue for boating safety and enforcement programs to counties where nonresident vessels are used extensively. The statute provides that the amount of aid for which a county or other entity is eligible shall not exceed the total cost of its boating safety and enforcement program needs less the moneys derived from personal property taxes on boats and fees charged for boating activity as determined in accordance with a formula prescribed by the department. According to the department, about 20 counties will ultimately be eligible for financial aid.

ANALYSIS AND RECOMMENDATIONS

We recommend approval.

The department requests \$275,000 for local assistance in boating law enforcement in 1971-72. In the current year, funds were made available for the first time and \$120,000 has been allocated to seven counties. So far the department has received and approved applications from 13 counties for funds totalling \$207,300 in the budget year.

Department of Navigation and Ocean Development

EMERGENCY HARBOR REPAIRSItem 206 from the Harbors and
Watercraft Revolving Fund

Vol. II p. 395 Budget p. 138

Requested 1971-72	\$100,000
Appropriated 1970-71	100,000
Actual 1969-70	74,921
Requested increase—None	
Total recommended reduction	None

ANALYSIS AND RECOMMENDATIONS*We recommend approval:*

This appropriation provides authority to spend \$100,000 from the Harbors and Watercraft Revolving Fund for repairs of damage at small craft harbor facilities constructed pursuant to Sections 70.2, 71.4 and 83 of the Harbors and Navigation Code when caused by emergency conditions such as severe storms. The purpose of this appropriation is to utilize the Harbors and Watercraft Revolving Fund as the direct source of moneys for these repairs rather than calling on the General Fund, which in turn would have to be repaid from the revolving fund.

Emergency Harbor Repairs

During the current year, no allocations have been made for emergency harbor repairs. In fiscal year 1969-70, \$74,921 was allocated for emergency harbor repairs at Santa Barbara.

DEPARTMENT OF PARKS AND RECREATION

Item 207 from the General Fund

Vol. II p. 415 Budget p. 144

Requested 1971-72	\$19,038,075
Estimated 1970-71	19,033,355
Actual 1969-70	17,687,319
Requested increase \$4,720 (0.02 percent)	

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

1. No recommendation until a detailed support program is completed by the department and available for analysis.

GENERAL PROGRAM STATEMENT

The Department of Parks and Recreation plans, acquires, develops and operates state outdoor recreation and park areas and historical facilities and performs statewide recreation planning. The department was organized in November 1967 pursuant to Chapter 1179, Statutes of 1967. The State Park and Recreation Commission establishes overall policy guidance for the department.

Department of Parks and Recreation—Continued

The department is still expending the \$250,000,000 provided by Chapter 1690, Statutes of 1963, known as the State Beach, Park, Recreational, and Historical Facilities Bond Act of 1964. Meanwhile, last November the electorate approved Chapter 782, Statutes of 1970, known as the Recreation and Fish and Wildlife Enhancement Bond Act. This act authorizes (among other things) issuing \$54,000,000 in general obligation bonds for use by the Department of Parks and Recreation for planning and construction of onshore recreation facilities at units of the State Water Project. In view of the shortages of General Fund money for the current and budget years, the major portion of the department's capital outlay program and its associated planning effort involves financing from these two bond sources.

The administration has not permitted expenditure of General Fund appropriations (with several exceptions) made in prior years for development of the state park system. Some of these appropriations are being reverted in the control sections of the Budget Bill, others are not being reappropriated and some are being replaced with money from the Recreation and Fish and Wildlife Enhancement Bond Fund or in the case of sewerage facilities from the Clean Water Bond Fund.

ANALYSIS AND RECOMMENDATIONS

The department's General Fund support budget request for 1971-72 is almost identical to the current year's budget request. This similarity is not meaningful because major shifts in funding occur which obscure an increase of approximately \$1,000,000 when placed on a comparable basis with the current year. The total support, local assistance and minor capital outlay expenditures decrease from \$27,916,168 in the current year to \$24,712,510 in the budget year. The major reasons for this change are a reduction of approximately \$4,400,000 in grants to local agencies from the 1964 Bond Act because the funds have been exhausted, an increase of almost \$1,000,000 in reimbursements in the current year, the transfer of \$510,000 for minor capital outlay to support in the budget year, and a drop of approximately \$400,000 in federal local assistance funds.

The 1971-72 support budget for the department consists of the following appropriations:

Item 207	Departmental support, General Fund	\$19,038,075
208	Departmental Support for Hearst Castle, General Fund ..	1,411,780
209	Departmental support for boating safety and enforcement, Harbors and Watercraft Revolving Fund	169,000
210	Minor capital outlay, special deposit account in the General Fund	510,000
312	Administration of grant money, State Beach, Park, Recreational and Historical Facilities Fund	88,820
315	Minimum development planning, State Beach, Park, Recreational and Historical Facilities Fund	135,000
328	Project planning, Recreation and Fish and Wildlife Enhancement Bond Act	1,047,728

Quality of Budget Justification Data

The budget does not provide much useful information for analysis of the support request for the Department of Parks and Recreation. Last year this analysis was critical of the condensation of the department's support program budget into only six program elements for requested expenditures totaling about \$22,500,000. For next year there has been no change in the support program elements and the expenditures increase in amount to about \$24,000,000. However, the Governor's line-item budget for next year does contain an excellent summary of the proposed expenditure increases or reductions which helps considerably in identifying changes in the budget. Without this summary, it would be almost impossible to determine what increases or decreases occur in the budget.

Last year the department submitted a line-item budget supplement which showed salaries and wages and details of operating expenditures by major organization units such as divisions. That budget supplement has been replaced by the Governor's line-item budget for next year which shows such information only for the department as a whole. Line-item information for the department as a whole is in such gross form that it has very little value either for justification purposes or for managing the execution of the approved budget. If a reasonably detailed program budget were provided along with the summary line-item information, it might be possible to evaluate the contents of the budget. However, when both the line-item and the program budget are submitted in summary form, as in the case of the Department of Parks and Recreation, virtually no useful information can be drawn from either one. For example, reimbursements, federal funds, and program changes in the current year cannot be identified in a meaningful way. It should also be noted that the department has not yet had its cost accounting system in operation long enough to supply reliable program expenditure figures. The program budget figures are all merely estimates and approximations.

When the Assembly Ways and Means Committee found last year that it did not have a meaningful budget document, it directed the department to prepare a detailed justification for the Planning and Development Division where most of the programming problems existed. The department did so and this became the basis for legislative consideration of the department's budget.

In preparing the above detailed budget for the Division of Planning and Development, the department made several changes in program emphasis which appeared logical and timely last year. Work was to be continued in planning for the development of the new park lands being acquired through the 1964 Park Bond Act. A considerable shift occurred to emphasize low-cost facilities which could expand facilities in order to secure the maximum use of the existing facilities rather than developing major new high-cost facilities. Plans were started to provide for upgrading and adding sewerage and water supply facilities in line with the current public interest and legal requirements for improved environmental protection. Finally, the department proposed to continue construction of projects authorized in the 1970 and previous Budget Acts.

Department of Parks and Recreation—Continued
Freeze on Capital Outlay Funds

During the current fiscal year the administration froze nearly all General Fund capital outlay funds available to the department and will revert many of these appropriations. The administration is shifting major sewerage projects or parts of them to financing under the Clean Water Bond Act. Several appropriations for development at units of the State Water Project are being replaced with funding from the Recreation and Fish and Wildlife Enhancement Bond Act. These changes resulted in stopping most preparation of working drawings and specifications for funded projects, in delaying some construction and in some cases causing all work to be terminated because there is no replacement source of funding for previously available General Fund money.

The result of the above changes in the department's capital outlay program was to seriously complicate a program that already had its full share of difficulties. As a consequence, the department has been unable to carry out the scheduled planning for the capital outlay projects in the 1971-72 and 1972-73 budgets or even to construct most of the projects for which it had appropriations. Then in November, the approval of the Recreation and Fish and Wildlife Enhancement Bond Act suddenly provided a major new source of project funding for which the department had done only limited planning. The bond act was approved by the Legislature last session after the Budget Act was approved and therefore the budget contained no provision to start preparation of a program under the bond act. In some cases the planning work previously done can be used for the new bond program projects, but in other cases the higher priority now given to onshore recreation at units of the State Water Projects caught the department without completed plans or preliminary plans and specifications for inclusion in the 1971 capital outlay budget. Thus, some projects have been placed in the capital outlay budget without adequate planning and now must be revised to improve the cost estimates, clarify the amounts of bond funding and specify the work to be done.

Environmental Impact Reports

The Environmental Quality Act of 1970, Chapter 1433, Statutes of 1970, states in Section 2100, that "All state agencies, boards, and commissions shall include in any report on any project they propose to carry out *which could have a significant effect on the environment of the state* [emphasis added], a detailed statement by the responsible state official setting forth the following:

- "(a) The environmental impact of the proposed action.
- "(b) Any adverse environmental effects which cannot be avoided if the proposal is implemented.
- "(c) Mitigation measures proposed to minimize the impact.
- "(d) Alternatives to the proposed action.

- “(e) The relationship between local short-term uses of man’s environment and the maintenance and enhancement of long-term productivity.
- “(f) Any irreversible environmental changes which would be involved in the proposed action should it be implemented.”

In addition, Section 21102 states in part: “No state agency, board or commission shall request funds . . . other than a project involving only planning, which could have a significant effect on the environment unless such request or authorization is accompanied by a detailed statement setting forth the matters specified in Section 21100.” Finally, Section 21105 states: “The responsible state official shall include the environmental impact report, together with any comments received from other governmental agencies . . . *as a part of the regular project report used in the existing review and budgetary process.* [emphasis added] It shall be available to the Legislature and to the general public.”

The provisions of the Environmental Quality Act of 1970 have not been implemented in the preparation of the Governor’s Budget for 1971. The department has indicated that it is preparing environmental impact reports for its 1971 capital outlay projects but none had been received when this analysis was prepared. While many departmental projects will not involve adverse environmental impacts, the law requires identifying those projects which do have an environmental effect. This seems to imply that every project should be demonstrated to have no adverse environmental impact or else an impact report must be prepared. The staff work needed for the preparation of environmental impact reports is another factor which will need to be included in the department’s revision of its planning program.

The foregoing difficulties may have some bearing on the fact that the department prepared its 1971-72 support budget by simply extending the current year planning manpower level to the budget year. In recognition of the probability that the Legislature will require program detail to back up the dollar request, it has begun to fill in the program details. Work has been completed on scheduling manpower dollar requirements and individual project planning completion dates for the current year. The department expects that the budget year can be completed for budget hearings in April.

After the department has completed preparing the program to justify its budget request, this office can prepare a supplemental analysis of the budget request and relate it to several revisions that may also be made in the capital outlay budget requests.

Controversy and Problems Involving Proposed Developments

In the last several years the department has proposed several development plans for units of the state park system which have been unusually controversial because of the contents of the proposed development or because of the way the development is proposed to be implemented. These reflect inadequate planning or continuing changes in planning which increase support budget planning costs and delay construction.

Department of Parks and Recreation—Continued

1. The department and the El Pueblo de los Angeles Commission selected a concessionaire to operate a hotel, restaurant and other facilities in the Pico-Garnier Building at the Pueblo de los Angeles. The department had proposed to spend approximately \$750,000 to complete structural modifications to the buildings and the concessionaire was to complete the interiors and furnish the structures in order that he might operate the completed facilities at a profit. The historical significance of this development is debatable and has caused considerable controversy in Los Angeles.

2. The proposed extensive development of concessionaire and other facilities at the Point Mugu Project has been the subject of much controversy in recent months. More analysis will be given to this project in the supplemental analysis of the reappropriation of the funds for this project and the appropriation of new funds under Items 316 and 314 (g).

3. This analysis commented extensively on the problems of the San Francisco Maritime State Historic Park last year. Chapter 1527, Statutes of 1970, authorized the department to dispose of the property to the City of San Francisco. The department has had preliminary discussions on the transfer, but no agreement has been reached. Meanwhile, the rental contract on the Haslett Warehouse expires on June 30, 1971, and a series of legal and managerial problems will probably arise soon thereafter.

4. At Cuyamaca State Park the department budgeted funds last year to construct a major swimming pool complex. This analysis recommended against the project because it was not in keeping with the preservation of the park atmosphere. Because of this recommendation and the shortage of General Fund money, the funds were removed from the budget. Meanwhile, the Park and Recreation Commission adopted a policy statement on November 12, 1970, which states, "Developments within state parks shall be for the purpose of making the areas available for public enjoyment in a manner consistent with the preservation of natural, scenic and ecological values for present and future generations. . . . Recreational developments that conflict with the public's enjoyment of the natural values inherent in the resource and/or which are attractions in themselves, such as playgrounds, golf courses, swimming pools, ski facilities and other such developments, which are best provided within state recreation areas, are not to be encouraged within state parks." At about the same time that the above statement was approved, the department was completing preparation of preliminary plans and specifications for the swimming complex at Cuyamaca and \$660,000 for the swimming complex is presently scheduled in the capital outlay budget to be requested in the 1972-73 fiscal year. The magnitude of the expenditures for the swimming complex may well conflict with the commission's stated policy.

5. Two years ago the department requested funds to start development of the downstream recreation area at Castaic Reservoir. In the process of budget hearings, the project was changed to a boating development along the west ridge of the reservoir. Details were not

available at that time for the proposed development, but it was strongly endorsed locally and the appropriation was approved even though there was considerable uncertainty regarding the project actually to be constructed. Recently the decision has been made for various reasons to shift the boating facilities to the left abutment of Castaic Dam. It is now apparent that the proposed ridge development did not require a construction appropriation at the time the money was appropriated and that it was not the best initial development. This could not be reliably determined because of lack of information on the project two years ago. The same funds are proposed to be reappropriated in the 1971 Budget Bill (from the Recreation and Fish and Wildlife Enhancement Bond Fund) and project details are still not available.

6. Two years ago the department requested funds for the second phase development of Carpinteria State Beach. We recommended a reduction in the funding because the plan was too expensive and contained overdevelopment. The Legislature reduced the funds, but the department proceeded with the project to the Public Works Board stage of approval with the original high-cost plan of development. The project was kept within the appropriated funds by leaving out part of the area originally proposed to be developed. When we pointed out that the project was not in accord with the appropriation approved by the Legislature, the department began a further revision of the plans. Since then the administration has frozen funds for the project and now proposes to revert them. The end result after two years is no phase 2 development at Carpinteria.

7. Last session the department proposed a \$3,000,000 development at San Clemente. This was a controversial proposal both because of its high cost and the extensive amount of reconstruction of the area being proposed in the project. We recommended a scale back in the proposed development, but after further study and discussion it became apparent that the department could not use construction funds in the 1970-71 fiscal year. Therefore, only \$200,000 was appropriated by the Legislature for working plans and drawings with the understanding that the project would return to the Legislature for review of its scope and costs this session when more information was available. The administration has frozen the funds for the working plans and drawings and the project has been dropped for the time being.

8. The department has been working on preliminary plans for the recreation development at Perris Reservoir. Its preliminary proposals include extensive developments such as a wave machine for surfers, convention facilities, and various concessionaire facilities. Since it is possible that some of these structures will have to be moved if the Metropolitan Water District exercises its option to enlarge the reservoir and flood the location of some of these structures, the entire plan is being reevaluated.

The foregoing discussion of planning and development difficulties illustrates special situations which explain why the department spends such large sums on planning and frequently still does not have definitive plans and cost estimates for many of its more important projects.

Department of Parks and Recreation—Continued

It should be noted that progress has been made in other problem areas. For example, a "for sale" brochure has been prepared for disposal of the state's property at Squaw Valley and the marina facilities at Brown's Ravine at Lake Folsom have been placed under construction.

Quarterly Progress Reports on Problem Areas

Last session the Supplemental Report on the 1970 Budget Bill contained the following recommendation: "That the Department of Parks and Recreation make quarterly progress reports on the following: (1) Departmental effort to resolve concession administration problems. (2) Preparation of a series of design standards related to fee systems. (3) A program of maintenance for the state park system. (4) Disposal of unneeded or substandard properties which are presently in the state park system." Quarterly reports have been received as of October 1, 1970, and January 8, 1971.

Department of Parks and Recreation

OPERATION OF HEARST CASTLE

Item 208 from the General Fund Vol. II p. 424 Budget p. 163

Requested 1971-72	\$1,411,780
Appropriated 1970-71	1,325,477
Appropriated 1969-70	1,291,830
Requested increase \$86,303 (6.5 percent)	
Total recommended reduction	None

ANALYSIS AND RECOMMENDATIONS

We recommend approval.

This item appropriates funds for operating costs at Hearst San Simeon State Historical Monument. Item 219.5, Budget Act of 1968 provides that any revenue in excess of expenditures derived from the monument, as determined by the department's director, shall be transferred to a special account in the General Fund and shall be available only for appropriations by the Legislature for maintenance and capital outlay at Hearst San Simeon State Historical Monument. The item was inserted by the Legislature to accumulate funds for anticipated maintenance costs. Item 306 is appropriated from the current year reserves.

Department of Parks and Recreation
BOATING SAFETY AND ENFORCEMENT

Item 209 from the Harbors and
 Watercraft Revolving Fund

Vol. II p. 424 Budget p. 169

Requested 1971-72	\$169,000
Estimated 1970-71	143,000
Requested increase \$26,000 (18.1 percent)	
Total recommended reduction	None

ANALYSIS AND RECOMMENDATIONS

We recommend approval.

Chapter 1354, Statutes of 1969, increased boat registration fees and provides for allocation of the increase to counties and the State Department of Parks and Recreation for enforcement of boating laws. Chapter 1270, Statutes of 1970, requires that aid to the Department of Parks and Recreation for boating safety and enforcement programs from the Harbors and Watercraft Revolving Fund be based on an annual boat entry count. The statute also provides that fees from the use of boating facilities in the state park system be deposited in the Harbors and Watercraft Revolving Fund rather than the General Fund.

The budget indicates that an estimated \$169,000 in boat user fees from the state park system will be deposited in the Harbors and Watercraft Revolving Fund in 1971-72 which is the amount being transferred by this item back to the Department of Parks and Recreation. Thus, the program has no net beneficial dollar effect for the state park system and perhaps diverts some funds which otherwise might be used to assist in maintaining the facilities that the boaters use. The program merely permits the boaters to indicate that they finance a designated amount of boating safety and enforcement work in the state park system.

It should be noted that the budget contains no information on the expenditures financed by this item but only shows an appropriation entry.

Department of Parks and Recreation

MINOR CAPITAL OUTLAY

Item 210 from the Special Deposit
Account in the General Fund

Vol. II p. 419 Budget p. 145

Requested 1971-72 -----	\$510,000
Estimated 1970-71 -----	325,300
Actual 1969-70 -----	705,678
Requested increase \$184,700 (57 percent)	
Total recommended reduction -----	Pending

ANALYSIS AND RECOMMENDATIONS

We cannot recommend approval pending review of the use of Clean Water Bond Funds for small sanitation and sewerage facilities.

The Budget Act of 1968, by means of Item 378.9 and the Budget Act of 1969, by means of Item 425.1, provided that any money received from federal Open Space or Land and Water Conservation Fund moneys in reimbursement for a state expenditure under the State Beach, Park, Recreational and Historical Facilities Bond program should be placed in the Special Deposit Account of the General Fund until appropriated by the Legislature for development of the state park system. This was done to emphasize the Legislature's desire that the money be controlled by it and used for development of parks rather than to support departmental administrative costs and large planning staffs. Item 425.5 of the Budget Act of 1969, appropriated the funds accumulated in this account as a loan to assist in meeting the cash needs of the local grant program under the 1964 Bond Act. At the present time, there is a total of \$969,133.66 in the Special Deposit Account available for appropriation.

Item 210 proposes to appropriate \$510,000 of the balance in the Special Deposit Account to fund a minor capital outlay program for the Department of Parks and Recreation. (Item 307 appropriates \$460,000 for major projects and uses the remainder of the balance in the account.) If this money were not used, the department likely would not have any minor capital outlay program for next year because the program would have to be financed from the General Fund. While it can be argued that the balance in the Special Deposit Account is General Fund money and should be used for budget balancing purposes, it is nevertheless money which the Legislature specifically placed in reserve for development of the park system.

The proposed expenditure is for 26 projects which are enumerated on page 419 of Volume II of the Program Budget. A preliminary review of the projects indicates no special problems with the proposed projects.

In addition to the \$510,000 proposed to be appropriated from the Special Deposit Account, the department is also proposing to receive \$203,975 from the Clean Water Bond Fund for minor capital outlay projects involving small sewerage and sanitation facilities. This money does not require appropriation in the Budget Bill because the pro-

ceeds of the Clean Water Bonds are continuously appropriated to the Water Resources Control Board for allocation to local government and units of state government. However, the purpose of the bond program is to finance the construction of sewerage collector, treatment and outfall systems. The use of the bond proceeds to finance trailer sanitation stations and to make minor improvements in sewerage facilities at units of the park system is apparently permissible. It is not clear whether or not bond proceeds can finance all these small projects and in all probability only 80 percent of the costs of each can be financed from bond funds.

Further review of the use of Clean Water Bond Fund money for minor sewerage and sanitation facilities in the state park system will be needed to clarify how much of this expenditure is permitted under the bond act. It may be necessary to remove some of the projects in Item 210 or to eliminate some of the small sanitation and sewerage facilities or else eliminate a number of projects from the major capital outlay Item 307 which is also financed from the Special Deposit Account.

RECLAMATION BOARD

Item 211 from the General Fund

Vol. II p. 445 Budget p. 165

Requested 1971-72	\$1,464,000
Amount equivalent to 1970-71	247,000
Estimated 1970-71	243,616
Actual 1969-70	285,425
Equivalent increase \$3,384 (1.4 percent)	
Total recommended transfer	\$1,217,000

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

*Analysis
page*

1. Recommend transfer of \$1,217,000 in staff costs to Item 213, 471 Department of Water Resources.
2. Recommend waiting for review of possible reduction in the 473 \$1,217,000 request due to reductions in federal program.

GENERAL PROGRAM STATEMENT

The Reclamation Board was created in 1911 to participate in controlling the flood waters 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 power, responsibilities and jurisdiction. The board is now also part of the Resources Agency. It consists of seven members appointed by the Governor from the Central Valley area. The major activity of the board is purchasing lands, easements and rights-of-way for federal channel and levee flood control projects in the Central Valley. The board also administers a permit system to prevent encroachments from being constructed in flood channels which could impair flood flow capacities.

Reclamation Board—Continued

ANALYSIS AND RECOMMENDATIONS

We recommend that the form of the item be returned to that used last year in which \$1,217,000 of the appropriation is made to the Department of Water Resources instead of to the board and that the amount of the item not be approved pending a review by the administration of the amount needed.

The board is requesting \$247,000 to pay the costs of the board and to support a staff of 7.5 positions which works directly for the board. This is an increase of about \$3,400 compared to the current year.

The board is also requesting that the sum of \$1,217,000 be appropriated to the board "for transfer to the Department of Water Resources for services." In the current year the money for the same services was appropriated to the Department of Water Resources. The current year budget was based on language added by the Legislature to the 1969 Budget Act which made the board's entire appropriation to the Resources Secretary with the directive that he "allocate the funds appropriated by this item to the Reclamation Board and the Department of Water Resources to achieve as nearly as is legally possible an integrated, statewide flood control program administered and executed by the Department of Water Resources." After considerable legal study, the Secretary allocated the money for about 85 positions to the Department of Water Resources, left the 7.5 positions noted above with the board, and also transferred the capital outlay money to the department (Equivalent of Item 308 in the 1971 Budget Bill). The board sought unsuccessfully to secure passage of special legislation in the last two sessions to reverse the above allocation and transfer. Similarly, an effort last year to amend the Budget Bill to return the money to the board was not successful.

The Legislature has enunciated a clear policy that the money should be appropriated to the Department of Water Resources rather than the Reclamation Board and has consistently supported that decision. The effect of this policy is that the Department of Water Resources performs nearly all flood control work in the state, but leaves certain statutory decisionmaking and regulatory authority with the board. Although there were problems in developing the working relationships involved in this transfer of funds and personnel, insofar as staff effort is concerned, an integrated, statewide operation in the Department of Water Resources has been achieved.

The Governor's Budget now proposes to change the form of the appropriation established by the Legislature two years ago and to return the appropriation to the board for "transfer" to the department. If it is contended that the change makes no difference, then there is no reason to make the change. If it is contended that there is a difference and that the board is given certain authority over the expenditure of the funds, then the decision of the Legislature is being at least partially reversed. While the administration indicates no intention that working relationships between the board and the department will be changed, the change in appropriation language would permit the board

to condition the transfer of the funds as it chooses. Clearly, returning any funding to the board is to some extent a reversal of the Legislature's stated policy of securing an integrated, statewide flood control program in the Department of Water Resources. Since no management or budgetary reason has been advanced for changing the form of the item, it is recommended that the item be amended to delete the appropriation of the \$1,217,000 to the board and instead add it to Item 213 (the support appropriation of the Department of Water Resources) in the same form as enacted last year.

Although the budget requests the above amount of \$1,217,000 for staff services for flood control work in cooperation with the Corps of Engineers in the Central Valley, the President's budget provides for a lower federal appropriation than the level on which the figure was prepared. As a result, the administration is reviewing the funding needed for next fiscal year and may reduce the request. It is recommended that the Legislature await the results of this review which should be ready at the time of budget hearings.

SAN FRANCISCO BAY CONSERVATION AND DEVELOPMENT COMMISSION

Item 212 from the General Fund

Vol. II p. 450 Budget p. 167

Requested 1971-72	\$259,000
Estimated 1970-71	275,730
Actual 1969-70	172,905
Requested decrease \$16,730 (6 percent)	
Total recommended reduction	None

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

*Analysis
page*

1. Permit Fees. Recommend that public agencies as well as private persons be required to pay permit fees. 474

GENERAL PROGRAM STATEMENT

The San Francisco Bay Conservation and Development Commission was created by the Legislature in 1965 in order to protect the public interest in San Francisco Bay and to plan for the conservation and responsible development of the bay. The commission completed its plan for the bay system and presented it to the Legislature in January 1969. The continuing objectives of the BCDC include:

1. Preparing and maintaining a comprehensive plan for the development and conservation of San Francisco Bay and its shoreline.
2. To implement the plan and commission policies by issuing or denying permits for projects to fill, dredge, or change the shoreline of the bay.
3. To prepare annually a report setting forth the cost and locations of lands within the commission's jurisdiction which BCDC recommends for public acquisition and use.

San Francisco Bay Conservation and Development Commission—Continued

The commission consists of 27 members representing bay area citizens and officers of federal, state and local governments. The commission's staff consists of 10 executive, fiscal and technical positions, plus five clerical positions.

ANALYSIS AND RECOMMENDATIONS

We recommend approval.

The commission's total budget as proposed is \$284,000 in 1971-72. This represents an \$8,270 increase over the current year. The General Fund contribution, however, is reduced from \$275,730 in the current year to \$259,000 in 1971-72. This reduction occurs because the budget contemplates implementing Chapter 713, Statutes of 1969, which provides that the BCDC may require a reasonable filing fee and reimbursements of expenditures incurred in processing and investigating permit applications. These reimbursements are budgeted at \$25,000 in 1971-72.

There is some doubt by the commission staff as to whether the commission will be able to earn \$25,000 in permit fees in the budget year. Approximately 50 percent of the permit workload consists of applications of public agencies and these agencies are exempted under present law from the fee requirement. The commission staff is attempting to develop a fee schedule for private permit applicants which will raise \$25,000.

The Government Code now prohibits the BCDC from charging a permit application fee to public agencies. In order to provide a reasonable amount of fee revenue and finance permit-related activities in an equitable manner, all agencies applying for permits should be required to pay a permit fee. The purpose of this application fee is the recovery of a portion of processing costs from the individual applicant generating the workload. It is inequitable for private individuals to pay fees and, therefore, be subsidizing public agencies who apply for permits. *We recommend that the fee requirement be expanded to include all those applying for permits.*

DEPARTMENT OF WATER RESOURCES

Item 213 from the General Fund

Vol. II p. 453 Budget p. 168

Requested 1971-72	\$10,104,000
Estimated 1970-71	12,291,875
Actual 1969-70	11,957,291
Requested decrease \$2,187,875 (17.7 percent)	
Total recommended reduction	\$100,000

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

Analysis
page

1. *General Management. Reduce \$100,000.* Recommended un- 484
allocated reduction in General Fund contribution to General
Management Program.

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 and watershed protection. Its former beach erosion functions have been transferred to the Department of Navigation and Ocean Development. During the past year the department became responsible for most of the staff services and flood control work in the Central Valley which it performs as directed by the Reclamation Board.

During the decade of the 1960's, departmental expenditures grew rapidly because of construction of the State Water Project. The 1967-68 fiscal year departmental expenditures of \$375,811,000 are now known to have represented the peak in total expenditures for all purposes by the department. Actual 1968-69 expenditures of \$352,989,000 were nearly as high. Fiscal year 1969-70 expenditures were estimated to be \$386,506,000 a year ago but were actually \$310,034,000. The current year expenditures are estimated at approximately \$342,000,000 but will probably be somewhat less. Estimated 1971-72 expenditures are \$279,875,000. The expenditures for 1972-73 will probably be in the order of \$200,000,000.

The above total expenditure figures are somewhat misleading with regard to construction activity because non-construction costs are increasing. Project operations and maintenance expenditures will increase from \$14,166,000 in 1969-70 to \$22,414,000 in the budget year and in 1972-73 the maximum expenditure rate of approximately \$24,000,000 will be reached. Simultaneously power purchases for water pumping will increase from \$6,424,000 in 1969-70 to \$13,302,000 in 1971-72 and will stabilize at about \$17,500,000 thereafter. The largest increasing factor is for bond interest payments which was \$60,951,000 last year, will be \$80,718,000 next year and will continue to climb in future years.

With the above large increases in non-construction expenditures, the construction related expenditures are decreasing rapidly. For example, construction related expenditures this year are approximately \$213,500,000 but drop to \$118,900,000 next year and will amount to little more than \$45,600,000 in 1972-73. In terms of facility construction the current and budget years will see the completion of construction on the pumping plants, tunnels and aqueducts along the west and east branches of the aqueduct into southern California. In 1973 the terminal reservoir at Perris and the Pyramid Reservoir on the west branch will be completed. For all practical purposes, all major construction on the initial facilities of the State Water Project will be completed in 1973. Project features have been placed in operation on substantially the same schedule for purposes of water delivery as was formulated in 1960. The only significant delay will be one year in completing Perris Reservoir.

**Department of Water Resources—Continued
Project Financing**

Last year this analysis devoted considerable space to a discussion of the severe problem confronting the State Water Project in securing sufficient funds to continue construction. At this time the situation has changed dramatically and the project appears to be confronted with no significant problems in selling the remainder of the water bonds needed to complete construction of the initial facilities.

Last year the state was unable to sell bonds because of the 5-percent interest rate limitation on all general obligation bonds. In June, 1970, the electorate approved a ballot proposition which removed the 5-percent limitation. Soon thereafter the state sold \$200 million of water bond anticipation notes at 5.83 percent interest. This provided sufficient funds to repay approximately \$46.7 million that had been borrowed for project construction on a short-term basis from the General Fund and to finance project construction into the spring of 1971. Meanwhile, bond interest rates have been dropping rapidly, and a \$100 million sale of water bonds on February 3 brought an interest rate of 5.5 percent.

During the next period of about one year the department will be selling the remainder of the \$300 million in water bonds authorized for use to complete construction of the initial facilities. Of course, \$200 million of the proceeds will have to be used to pay off the bond anticipation notes. As a result of this financial arrangement and the fortunate timing of reductions in the interest rate, the department from present indications will be able to complete its bond sales at relatively moderate interest rates. It will have circumvented the period of very high interest rates without having issued any long term bonds at the 7-percent rates which would have been required a year ago. With the completion of financing of the State Water Project in the next year, the market for California bonds will have been cleared of water bonds and will be available for other bond programs.

ANALYSIS AND RECOMMENDATIONS

General Fund support expenditures by the Department of Water Resources have been decreasing in recent years. When the department's total support expenditures are placed on a comparable basis by adjusting out the variation due to expenditures for the Reclamation Board, \$10,893,292 is estimated for expenditure in 1970-71 and \$10,104,000 is being requested for next year. On the basis of the budgeted amounts the department's General Fund budget drops approximately \$800,000 next year.

The result of the reductions in the support budget and the decline in State Water Project construction is illustrated in Table 1, which shows the reduction of 793 positions by major organization component.

Table 1
Net Changes in Positions, Department of Water Resources

<i>Division or District</i>	<i>Change in positions from 1970-71 to 1971-72</i>
Executive, Administration and Technical Services-----	-87
Resources Development -----	-11
Right-of-Way -----	-90
Safety of Dams -----	-5
Operations and Maintenance -----	122
Design and Construction -----	-566
Northern District -----	-20
Central District -----	-15
San Joaquin District -----	-14
Southern District -----	-112
Total -----	-793¹

¹ Detail does not add to total because of rounding.

Changes in Program Emphasis.

Most state and federal programs which involve substantial earth moving in their construction elements have been receiving major environmental criticism in recent months. The programs of the Department of Water Resources have been no exception. The center of criticism has been the construction of the State Water Project and specifically the Peripheral Canal in the Delta. The department has continued construction of the State Water Project because (1) it believes that it has an obligation to do so, (2) it has signed contracts to deliver water from the facilities yet to be finished, (3) the department cannot economically leave major project features unfinished and inoperable, and finally (4) it believes that many of the criticisms of the project are not valid.

While the department has continued construction of the State Water Project, it has not been inattentive to its critics insofar as its support programs are concerned. Thus, the 1971-72 support budget contains a number of basic program shifts and changes in emphasis which are as great in conceptual importance and future impact as any budget year changes since the department was formed. The reasons for these changes can be relatively easily identified.

First, the department is completing construction of the State Water Project and is being released from the concepts of a project which was conceived and put into construction based on public attitudes and state policies of 12 years ago. Second, with the imminent completion of construction of the State Water Project, the department is in a position to turn its talents and energies to other problems and give them higher priority. Third, the publication of Bulletin 160-70 has updated the California Water Plan based on relatively current information which shows that population growth is slowing in California, that water supplies now being developed will last longer than contemplated when the contracts for the State Water Project were executed and, therefore, the need to develop additional water in the north coastal area can be deferred for 10 years or more. Fourth, the current public interest in reducing adverse environmental impact has required the department to reassess many of its approaches to project planning and to resource development.

Department of Water Resources—Continued

The result has been a large number of small and large changes in the department's planning programs. Most of these changes are in the direction of slowing down large-project development, while other changes emphasize environmental problems and their solutions or seek new means and approaches to accomplish the wishes of the public while still continuing to provide for needed water resources development. Our review of the other state budgets involved in resources development do not indicate that a similar degree of program revision has occurred elsewhere.

The following is an analysis of the more significant programs or program elements selected from the department's budget. Particular attention is given to the support programs because they are appropriated in the Budget Bill. In general the analysis is an identification and brief discussion of the major program changes proposed for 1971-72.

WATER RESOURCES EVALUATION

The Water Resources Evaluation program includes the measurement of surface and underground water quantity and quality and water resources related meteorologic data to provide a record of historical data and an indication of current changes for planning and investigative purposes. The development of new approaches to supplying water needs is also included in this program. Overall, the program is reduced slightly from \$2,998,000 in 1970-71 to \$2,864,000 in 1971-72. However, major changes occur next year among program elements.

Surface Water Measurements will be reduced about \$90,000 from \$830,000 this year to \$744,000 next year. Three primary stream gaging stations are being dropped because the data will come from operational stations recently installed. The major reduction is the elimination of the last portions of the measurements of diversions along the Sacramento and San Joaquin Rivers which was undertaken many years ago as part of the now completed Sacramento and Delta Trial Distribution. The trial distribution was completed several years ago and the elimination of the diversion measurements is overdue.

Climatological Data is being reduced from \$176,000 to \$54,000. All departmental collection of data and field inspections of data stations will be dropped and the department will concentrate its remaining funds on collecting and analyzing the data secured from approximately 2,500 volunteer weather observers.

Surface Water Quality Data is being increased from \$324,000 to \$390,000. Data collection and sampling analysis of mineral constituents will be reduced because of a relatively satisfactory background supply of existing data. More attention will be given to biological analysis, trace elements (such as lead and mercury) and pesticides. This program revision is responsive to the need for more data on the environmental characteristics of water quality.

Stream Sediment Data collection which amounted to \$35,000 in the current year is being dropped. The federal government will continue some work in this area. If the program is reestablished by the department in future years it will probably give more emphasis to smaller

particles in suspension which affect turbidity of water rather than the larger particles which govern sediment accretion in reservoirs.

Ground Water Measurement will be greatly reduced from \$456,000 in the current year to \$295,000 in the budget year. Increased efficiencies, some deferment of work and a reduction in the number of wells sampled will occur. Our office has for many years contended that too many wells were being sampled with too much duplicating or non-essential data being gathered.

There will be some reduction in Ground Water Quality Data and a shift to making more analyses of trace elements and measuring nutrients and pesticides.

In preparing the current year budget the department increased the Saline Water Conservation program from \$95,000 to \$263,000 and a further increase to \$351,000 occurs next year. With anticipated federal and other reimbursements the total expenditures are estimated at \$571,000 next year. The program has two principal objectives. The first is to work with the University of California to determine the feasibility of utilizing the reverse osmosis process to remove minerals from the drainage waters of the San Joaquin Valley. Work on algae stripping and denitrification at the research station at Firebaugh in Fresno County has shown that nitrogen can be removed from the drainage waters. This would solve the problem of algae blooms in the drainage water. However, it would not remove the large amounts of minerals still remaining in the water. The effort now will be to remove the minerals in order that the water can be reused rather than being discharged into the Delta or elsewhere. These processes are expensive but they may be necessary in the future.

The second effort is a recently announced cooperative undertaking at Diablo Canyon. The department would construct and operate a sea water conversion plant with a capacity of 30 or 50 million gallons per day using steam secured from the Pacific Gas and Electric Company's nuclear power plants being constructed in that area. The AEC and Office of Saline Water would cooperate in the undertaking. A particularly significant aspect of this joint effort is that besides evaluating the feasibility of large-scale conversion plants to meet water needs of the future in lieu of constructing large dams and aqueducts, this is the first large plant considered for construction in California as a possible substitute for surface delivery facilities. The department is evaluating the feasibility of substituting this plant for the presently contemplated high-cost Coastal Aqueduct from Devils Den in Kings County to San Luis Obispo and Santa Maria. Thus, the proposed project not only may advance technology but also may be the first use of sea water conversion on a moderately large scale in place of surface transportation facilities. The department is only starting feasibility studies on this project and does not expect that operation will be required before 1980.

Waste Water Reclamation is being increased from \$84,000 in the current year to \$207,000 in the budget year. This increase is also responsive to increased public interest in reclaiming and reusing waste waters but is also partly attributable to the recommendation in this

Department of Water Resources—Continued

analysis last year that the scope of these studies be expanded to include consideration of the role of waste water reclamation in solving the waste disposal problems of a given area.

PROTECTION OF WATER RESOURCES

The Protection of Water Resources program includes the department's work, largely involving groundwater, which is designed to protect the water from salinity intrusion and various forms of degradation. The overall dollar level of the program remains nearly constant at \$773,000 for next year.

One change in emphasis is a reduction in Seawater Intrusion Studies from \$150,000 to \$52,000. This reduction is largely the result of the completion of several studies that have been made in the most serious groundwater intrusion areas of California. The study at Morro Bay will be completed and monitoring of intrusion conditions will continue during the next year.

The largest change is in water quality investigations which increases from \$405,000 to \$524,000 next year. This program provides funds for special groundwater quality investigations when spot problems occur and also finances the department's advice on waste discharge requirements which are set by the Regional Water Quality Control Boards. Next year the sum of \$25,000 which has been augmented by the Legislature for state participation in the cooperative study of water quality problems at Clear Lake has been included in this program.

A new study entitled Mammoth Basin Water Resources Environmental Study has been budgeted at \$15,000. This money will finance the department's contribution toward a cooperative study with two local agencies (which will act as the program manager), the U.S. Forest Service, the Department of Fish and Game and the Department of Public Health. The objective of this two-year investigation is a comprehensive and integrated evaluation of all the water-related environmental problems of the area in order to identify problems and provide solutions for the best management of the water resources.

WATER USE AND DEMAND

The department gathers data to be used in determining the rates of water use and to estimate the amounts of water needed for various purposes in the future. This program receives a reduction from \$594,000 in the current year to \$466,000 in the budget year. The reductions are in irrigation water use and practices and in projected water demand. Both of these are activities which we have criticized in the past as being excessively budgeted and too much involved in detailed studies. The remaining work will have some shift in emphasis to more currently useful data such as estimating relationships between water use and waste water produced. Another reason for deemphasizing this program is that the department will be relying more heavily on water-use estimates from its water project contractors in the future instead of making its own estimates. It was the agreement between the Metropolitan Water District of Southern California and the department on future water

demand which caused much of the downward revisions in the water demands estimated in Bulletin 160-70 and the consequent setback in the need to develop new water supplies to augment the State Water Project.

PLANNING FOR WATER DEVELOPMENT

The program entitled Planning for Water Development includes the department's broad scale planning for long-term water needs in California as well as a number of studies of specific short-term problems. In the current year the program is budgeted at \$2,564,000, and this is reduced to \$2,310,000 next year. Even with this reduction there have been a number of important changes in program emphasis and the budgeting of a number of new studies which have considerable environmental significance.

A very important change is the retitling of the former North Coastal Investigation to Northern California Investigation. The funding is reduced from \$300,000 to \$259,000, along with the title change. This investigation has been the broad General Fund supported study of possible future water resources developments in the north coastal area to meet water needs occurring after the development of the Eel River. With the publication of Bulletin 160-70, which sets back the need for the Eel River development at least 10 years, there is little need to continue the north coastal investigation.

The investigation has been shifted away from the north coastal area into the northern California area, and primarily the Upper Sacramento Valley, in order to further evaluate alternative sources of water supply in the Sacramento Valley in lieu of the Dos Rios Project on the Eel River. In particular, the department will investigate smaller projects in the Sacramento Valley which might take the place of the Dos Rios Project as a source of water to augment the supply in the Delta for the State Water Project. A smaller project becomes more attractive in view of the reduced needs for water in future years from the State Water Project. The North Coast Action Program continues at the same level as in the current year.

The work on Planned Utilization of Groundwater Basins is reduced again next year. It drops from \$444,000 in the current year to \$287,000 in the budget year. This reduction is largely due to completion of the work currently underway.

Five new investigations are proposed which are all primarily responsive to the increasing conflicts between traditional water resources development and the current emphasis on environmental problems.

A new study entitled Character and Use of Rivers is budgeted at \$52,000. This is a pilot study to assist the department in securing information to characterize the uses of and evaluate the need for environmental considerations in water resources development. The Mattole and Eel Rivers have been tentatively selected for the work.

The department has budgeted \$36,000 to permit it to participate in the exploration of the use of geothermal resources as water and energy sources and to evaluate the effect of the use of these resources on

Department of Water Resources—Continued

water quality problems of the area. The department will provide geophysical and drilling assistance in exploratory work.

The sum of \$42,000 has been budgeted to initiate a pilot project investigation to determine whether a North Coastal area project can be developed which will provide an excess of fishery and wildlife enhancement values over the detriments which are inherent in most such projects.

A new Sierra Foothills Investigation has been budgeted at \$52,000 to provide information useful to local government on water supply and waste water disposal problems for land use planning. The emphasis will be on local problems and will not cover large project areas.

Finally, \$104,000 has been budgeted to permit the department to develop methods and measures, both quantitative and qualitative, for use in preparing the environmental impact reports which are required by the Environmental Quality Act of 1970. That act requires a number of specific evaluations and identifications of environmental impacts attributable to any project constructed by the state or local agencies. Water projects present many difficulties in preparing these impact reports. It is the purpose of this investigation to develop means to prepare meaningful environmental impact reports. Although other departments will have to prepare environmental impact reports, this is the only investigation identified in the budget which is specifically designed to provide the information the Legislature has directed to be included in the reports.

The foregoing five investigations or studies are not very clearly defined at this time. It is reasonable to expect that as work progresses on them, there will be some refinement and revision in the objectives and contents of the work. These five investigations are recommended for approval on the basis of their intent rather than on the basis of their specific contents.

**PLANNING AND INVESTIGATIONS FOR THE STATE WATER
RESOURCES DEVELOPMENT SYSTEM**

This program covers planning and broad investigations which relate directly to the State Water Resources Development System (State Water Project). The work is predominately financed with water project funds. A number of changes in emphasis and investigations are occurring next year which are related to the General Fund investigation changes previously discussed.

With publication of Bulletin 160-70 which shows a delay of 10 years or more in the need for construction of a state project on the Eel River, the Middle Fork Eel River Advanced Planning Investigation is being reduced from \$611,000 in the current year to \$470,000 in the budget year and may be reduced again in 1972-73. Essentially, the department is concluding its investigations on the Eel River and is writing up its work. No significant new investigative work is scheduled under this program.

Another significant change is the decision to continue the cooperative agreement with the Department of Fish and Game which in past years

was known as the Delta Fish and Wildlife Study. The work was to be terminated in the current year. Instead it is being extended further under the title of Bay-Delta Environmental Protection Study with a key objective being to develop further operational information on the Peripheral Canal.

The Implementation of the Delta Water Facilities, which is the planning and preliminary design work on the Peripheral Canal, is being continued at the level of \$735,000. Last year this analysis recommended and the department agreed to consider the possibility of securing operational information on the Peripheral Canal when it began evaluating the feasibility of a stub Peripheral Canal. The stub canal is a partial canal in the northern part of the Delta which could be constructed as part of the work soon to get under way in excavating material for the alignment of Interstate 5.

The department indicates that it was delayed in pursuing this work because of the extended nature of the water rights hearings on the Delta which were held by the State Water Resources Control Board during the past year. In addition to evaluating the stub canal and any operational experience that may be gained from it, the department also plans to evaluate other alternative possibilities of improving transport of water across the Delta (such as certain closures of channels) without actually constructing the Peripheral Canal. One factor which makes alternative considerations more attractive to the department is that the conclusions contained in Bulletin 160-70 indicate there is now less urgency to early construction of the Peripheral Canal for water transportation purposes than was originally contemplated.

FLOOD CONTROL

Although there are substantial changes in the dollar figures in the department's flood control activities, these are changes in the way which the funding is shown rather than changes in expenditure levels. The most significant change is that the Governor's Budget next year reverses the decision of the Legislature made two years ago and will once again budget capital outlay and staff support costs for flood control work in the Central Valley with the Reclamation Board rather than with the Department of Water Resources. The Governor's Budget indicates that instead of receiving the money directly, the Department of Water Resources will receive the money by contract from the Reclamation Board. More comments on this change will be found under the analysis of the Reclamation Board's budget in Item 211.

SERVICES TO OTHER AGENCIES

For many years the Department of Water Resources has participated in a cooperative program with the U.S. Geological Survey in the preparation of topographic maps of California (the familiar quadrangle maps). The level of this work has been approximately \$300,000 per year for more than a decade. In the current year the state funds were cut to \$241,000 and in the budget year a further reduction to \$111,000 is being made. This cut will result in a substantial reduction in the number of maps produced which are very widely used for many purposes.

Department of Water Resources—Continued

REPAYMENT OF FUNDS FOR BLACK BUTTE AND NEW HOGAN

In 1958 the Legislature was deeply divided whether or not to provide funds to initiate construction of the State Water Project without first approving a change in water rights law to permit southern California to secure some form of water right to the northern California water being developed by the project. A compromise resulted from the decision to provide state assurances for repayment of the conservation costs of the federal Black Butte and New Hogan projects so that construction could proceed on those projects. Accordingly in 1958 \$10 million was appropriated in Item 425.4 (this was supplemented in 1959 by \$3,740,000 in Item 385, providing a total of \$13,740,000) and the first appropriation to start construction at Oroville was also made.

Section 19.8 of the 1971 Budget Bill proposes to transfer the \$13,740,000 to the General Fund now that the money is no longer needed for the purposes for which originally appropriated. The money has been held in the California Water Fund since 1958 and has not been available for construction of the State Water Project. Instead, it has been treated by the Department of Water Resources as an asset which some day could be used for construction purposes. Therefore, the transfer of the money to the General Fund will serve to reduce the construction capital of the State Water Project.

GENERAL MANAGEMENT

It is recommended that the General Management Program be reduced by an unallocated \$100,000 General Fund reduction in the support budget.

The General Management program includes all the indirect or overhead costs of the department. Included are the director's office, accounting and budgeting, legal services, public information, graphic services, etc. These overhead activities are funded by a charge which is made to every program in the department as a percentage of salaries and wages. The percentage rates for these charges are computed to yield sufficient money to fund the overhead or general management costs of the department.

When the department was being expanded rapidly several years ago to undertake construction of the State Water Project, the General Management program grew faster than the base of salaries and wages which supported it. Now that the construction program is being completed, there is a natural tendency for the General Management program to be reduced slower than the salaries and wages base which supports it. Between 1969-70 and 1971-72, there is a 28.2 percent reduction in the total number of budgeted positions in the department. During the same period there is only a 6.7 percent reduction in the number of budgeted overhead positions. It has already been noted that total departmental expenditures were \$310,000,000 in 1969-70. Total expenditures for 1972-73 will be in the order of \$200,000,000 of which approximately half will be for power purchases and interest. Actual

construction expenditures will be approximately \$45,000,000 in 1972-73, while operations and maintenance (which has a high percentage of salaries and wages) will increase to about \$24,000,000.

In contrast, General Management expenditures totaled \$5,192,000 in 1969-70 and will be approximately \$4,900,000 on an equivalent basis after making adjustments for certain changes in budgeting rent. It can be seen that on the basis of both numbers of positions and dollars the General Management program has not declined in proportion to the reduction in departmental programs. Accordingly, the department will be entering the 1972-73 year with a General Management program which will be greatly excessive.

A number of small reductions have been made by the department in the General Management program for next year, but these reductions are all junior professional, clerical and stenographic positions. There are possibilities for further reductions in the director's staff, the legal staff, personnel office, and in the consolidation of budget, program analysis and program control functions. In addition, much tighter control should be exercised over the graphic services work by taking most of this activity out of overhead and placing it in a service category so that the work will have to be paid for by the programs that order the work.

In order to begin a downward reduction in the expenditure level of General Management, it is recommended that \$100,000 be removed from the General Fund appropriation of the department. This unallocated reduction would also result in a further reduction of approximately \$300,000 in project funds used for overhead, giving a total overhead reduction of \$400,000 for next fiscal year. The reduction should be managed by the department so that most of the positions eliminated and expenses reduced will occur in the second half of next fiscal year. This will bring the department's overhead costs more nearly in line with the expenditure level for the 1972-73 fiscal year.

Department of Water Resources

SUBVENTIONS FOR FLOOD CONTROL

Item 214 from the

Vol. II p. 508 Budget p. 174

Requested 1971-72	-----	\$4,000,000
Estimated 1970-71	-----	4,086,398
Actual 1969-70	-----	4,239,602
Requested decrease \$86,398 (2.1 percent)		
Total recommended reduction	-----	None

ANALYSIS AND RECOMMENDATIONS

We recommend approval.

This subvention item appropriates funds to the Department of Water Resources for allocation to local agencies of government to pay the costs of cooperation with the Corps of Engineers on levee and channel flood

Subventions for Flood Control—Continued

control projects outside of the Central Valley. The payments primarily are for acquisition of rights-of-way and relocation of utilities and bridges required for project construction.

During the last two or three years the rate of expenditure for this flood control work has been decreasing at both the federal and the state levels. The \$4,000,000 requested for next fiscal year is in line with prior year expenditures by the state, but there is no certainty that it will be adequate. There is considerable confusion on the rate of project construction which the federal government will undertake both because of reduced federal appropriations and the lateness of enactment of federal appropriation bills. In recommending approval of this item, we believe the Legislature should be aware that the amount requested may be insufficient, but that there is no available basis to project a better figure.

WATER RESOURCES CONTROL BOARD

Item 215 from the General Fund Vol. II p. 570 Budget p. 176

Requested 1971-72	\$4,180,000
Estimated 1970-71	3,965,000
Actual 1969-70	3,161,921
Requested increase \$215,000 (5.4 percent)	
Increase to improve level of service \$100,000	
Total recommended reduction	None

GENERAL PROGRAM STATEMENT

We recommend approval.

The Legislature, by Chapter 284, Statutes of 1967, established the State Water Resources Control Board. This board was formed in the Resources Agency to combine the water rights with the water quality and water pollution functions of state government. Through this organizational change, the board is charged with the responsibility to consider problems of water pollution and water quality whenever applications for appropriation of water are approved and similarly to consider water rights when waste discharge requirements are set or water quality standards are established. Statutorily, the new board is vested with all of the powers, duties, purposes, responsibilities and jurisdiction of the sections of the Water Code under which permits or licenses to appropriate water are issued, denied or revoked, or under which the state's function pertaining to water pollution and water quality control are exercised.

The State Water Resources Control Board and each of the nine regional water quality control boards are designated in the Water Code as the state agencies with primary responsibility for the coordination and control of water pollution and water quality. The headquarters is composed of three functional divisions, the Division of Water Rights, the Division of Water Quality Control, and the Division of Planning and Research, plus administrative and legal units.

The electorate in November 1970 approved Proposition 1, the Clean Water Bond Act (Chapter 508, Statutes of 1970). The act authorizes sale of \$250,000,000 in state general obligation bonds for allocation by the State Water Resources Control Board primarily for grants available for construction of new sewerage treatment plants, interceptor and collector lines, and sewerage outfalls. The bond proceeds are continuously appropriated to the Water Resources Control Board for grants, for loans as provided by the board, for a \$10,000,000 reserve for revenue bonds which the state might issue, for use of one-half of 1 percent of the bond proceeds deposited in the bond fund to pay for administration of grants, and for such amount as the board may determine is needed for plans, research, and development including statewide or areawide studies.

Any state department or agency may contract with the board to receive funds to construct an eligible project. Under this latter provision, a number of prior year General Fund appropriations to the Department of Parks and Recreation for sewerage facilities are being reverted to be refunded with \$2,105,500 in bond money. This change will not require a Budget Bill appropriation. The administration contemplates the sale of \$10,000,000 in Clean Water Bonds during the current fiscal year and thereafter approximately \$50,000,000 per year.

ANALYSIS AND RECOMMENDATIONS

Total support expenditures for the board were \$3,903,556 last year, are estimated at \$5,481,000 in the current year and \$6,373,000 for the budget year. The General Fund portion of these expenditures is \$3,161,921, \$3,965,000, and \$4,180,000. In the current year, support expenditures are being augmented by \$708,000 from the planning, research and grant administration funds available under the Clean Water Bond Act and this amount increases to \$1,540,000 for next year. The number of positions increases from 201 last year to 297 next year.

The board is proposing two new fees for the budget year. One is a fee on industrial waste discharges whether or not made into sewerage collection and treatment systems to pay for increasing surveillance, regulation and enforcement costs. Because of the controversial nature of this proposed fee, the board has not included any revenues or reimbursements from this fee in its budget. A reimbursement of \$100,000 for certification fees is included in the budget. The cost of administering the certification program is estimated at \$210,000 and approximately half of this amount is proposed to be recovered from fees.

The certification activity is pursuant to two new federal requirements. The Water Quality Improvement Act of 1970 requires certification by the state involved that any discharge into navigable waters will not violate applicable water quality standards. The Tax Reform Act of 1969 provides that the amortization of air and water pollution control facilities will not be allowed unless in accord with the state's pollution control program. Both of the laws will require that the board review the engineering plan and proposed operations of the water quality control facility involved as part of the certification proc-

Water Resources Control Board—Continued

ess. Therefore, for the first time the state will be reviewing the engineering plans for a waste discharge facility in addition to setting waste discharge requirements.

Water Quality Plans

The board has a need to prepare plans for areawide waste water treatment facilities pursuant to the Clean Water Bond Act. The board is also now required by the federal government to prepare basinwide water quality plans. These plans must under federal law be prepared and adopted on an interim basis by July 1971, and on a final basis by July 1973. The preparation of these final plans requires gathering much water quality data, working with local agencies to integrate their facility construction proposals into the plan, solving water quality and technical problems in the plan, developing the engineering features of the plan in considerable detail, consolidating small local facilities into larger and more efficient facilities, establishing time schedules, and securing acceptance of the plan by the areas involved. The plan is to be the basis on which federal and state grant funds will be made for construction of local facilities valued in excess of \$1 billion. The entire state will be covered by 14 basin plans. More complete regional plans will be prepared for 15 major population centers.

The preparation of the interim plans is being done in the current year using available planning funds and additional money from the Clean Water Bond Fund. The preparation of the final plans is to be started immediately thereafter and for this purpose the board has laid out a five year, preliminary expenditure schedule of approximately \$7,000,000 in bond proceeds. Most of the work is proposed to be completed by July 1973. To achieve this completion date, \$6,000,000 in contractual services is being proposed. In order to expedite the work, local agencies, outside contractors, state agencies and any other competent resources available are to be used.

A contract is to be let for each of the 14 planning basins and regions which will define the responsibilities of the agent performing the work, the extent of the work to be done, the requirements to be met to satisfy the board, and the necessary local and interagency working relationships. The board plans to emphasize cooperation and coordination. Even so, the Legislature should be aware that the federal time schedule of approximately two years is unrealistic for some of the more difficult water quality problems of the state. While the board will need to make an effort to meet the federal schedule, the preparation of the plans should not be pushed to the point that the completion of a report and the expenditure of the allotted planning funds becomes of paramount concern.

The first two efforts of the state in preparing regional waste water plans for the San Francisco Bay and Delta and for the San Joaquin Valley Drain have not been outstanding successes even though several million dollars was spent on each of the two efforts and substantial time was taken. While the state has the experience of these two previous efforts to draw on, the practical limitations of available data, re-

solving policy issues, solving engineering problems and developing public acceptance of the proposed plan require time.

The other parts of the board's budget do not contain any major changes. The contract for the AMBAG study of Monterey Bay water quality problems which the Legislature authorized last session has been changed from General Fund to bond financing in the current year. The second year allotment of \$130,000 for the study is included in the 1971-72 budget and financed with bond money. The study is being integrated into the basinwide plan for the Monterey Bay.

Legislation enacted last session for the regulation of liquid waste haulers provided for collection of a fee. As of January the sum of \$6,000 had been collected but it does not show in the Governor's Budget. None of the money has been expended.

DEPARTMENT OF CORRECTIONS

Items 216 through 219 from the
General Fund

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Requested 1971-72	\$106,487,239
Estimated 1970-71	103,929,699
Actual 1969-70	98,509,635
Requested increase \$2,557,540 (2.5 percent)	
Total recommended reduction (Item 216)	\$3,012,000

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

Analysis
page

1. We recommend that the 1971-72 institutional average daily population be reduced by 1,000 inmates and the budget be reduced \$3,012,000 for institutional operations. 492
2. We recommend the projection of parole population be re-computed and any necessary budget increase for paroles be offset against the recommended reduction in institutional care. 492
3. We recommend that the department determine the degree of court acceptance of its precommitment recommendations. 495
4. We recommend that the department review a representative sampling of institutional releases to determine the extent to which the original reception center inmate program recommendations were followed and the factors which determined any non-compliance. 495
5. We recommend the department evaluate the effectiveness of the additional custody positions authorized to reduce the number and seriousness of escapes and incidents in institutions and report to the 1972 Legislature. 498
6. We recommend that legislative consideration be given to excepting legally authorized methadone treatment from the statutorily prescribed freedom from drug use presently required to be eligible for discharge from the nonfelon addict rehabilitation program. 506