

Resources Agency

TAHOE REGIONAL PLANNING AGENCY

Item 212 from the General
Fund

Budget p. 515

Requested 1975-76	\$90,000
Estimated 1974-75.....	123,334
Actual 1973-74	100,000
Requested decrease \$33,334 (27 percent)	
Total recommended reduction	Pending

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

1. We defer recommendation until information on shift of funds is available.

ANALYSIS AND RECOMMENDATIONS

We defer recommendation.

This item appropriates \$90,000 from the General Fund to assist in the support of the Tahoe Regional Planning Agency (TRPA) which administers the compact. The appropriation represents a reduction of \$33,334 from the current year.

The 1975-76 Governor's Budget states that legal fees and litigation expenses of TRPA have been reduced about \$40,000 from the current year. The budget also states that because of actions taken by the California Tahoe Regional Planning Agency (CTRPA), numerous lawsuits have been filed against it. Consequently, the budget for CTRPA includes an increase of \$40,000 for legal fees and litigation expenses. Thus the funding for legal services in the Tahoe area would remain unchanged according to the Governor's Budget.

Information available from CTRPA indicates that the \$40,000 will be used to staff CTRPA rather than for legal services. Although total state expenditures for the budget year in the Tahoe Area will continue at the \$180,000 level in the current year, the shift of money to CTRPA from TRPA may leave TRPA without adequate funding. Until this shift is clarified we defer making a recommendation.

Resources Agency
CALIFORNIA TAHOE REGIONAL PLANNING AGENCY

Item 213 from the General
Fund

Budget p. 515

Requested 1975-76	\$90,000
Estimated 1974-75.....	50,000
Requested increase \$40,000 (80 percent)	
Total recommended reduction	Pending

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

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1. We defer recommendation until the customary budget information is available. 364

GENERAL PROGRAM STATEMENT

The California Tahoe Regional Planning Agency (CTRPA) was established by Chapter 1589, Statutes of 1967. The purpose of the agency is to maintain the comprehensive plan for the development of the region and to negotiate with the Tahoe Regional Planning Agency (TRPA) when the interests of the state are at issue. The agency is authorized to hire staff and is also authorized to contract with TRPA for its staffing needs.

ANALYSIS AND RECOMMENDATIONS

We defer recommendation.

The agency is requesting a \$90,000 General Fund appropriation, or \$40,000 more than the current year's estimated expenditure. The 1975-76 Governor's Budget states that the additional \$40,000 is for legal fees and litigation expenses.

In our 1974-75 Analysis we deferred recommendation on the \$50,000 appropriation for CTRPA because the 1974-75 Governor's Budget did not include a detailed budget for the agency. In response, the Secretary for Resources sent a letter to the Senate Finance and Ways and Means Committees indicating that CTRPA would use the \$50,000 to contract with TRPA for all staff services necessary to carry out its duties.

The 1975-76 Governor's Budget again does not include a detailed budget for the California Tahoe Regional Planning Agency. In particular it does not show three established positions and two proposed positions. The level of funding in the current year appears to be inadequate based on the currently established positions. The level of funding in the budget year appears to be inadequate for the anticipated staff. It is uncertain whether any money is being provided for litigation in the 1975-76 year. Perhaps even more important is the failure of the budget to indicate why the agency needs any staff of its own rather than contracting for staff as the Secretary promised. Until we are able to obtain details on the \$90,000 request, we defer recommendation.

Resources Agency

WATERWAYS MANAGEMENT PLANNING
(Planning for Wild, Scenic and Recreational Rivers)

Item 214 from the General
Fund

Budget p. 515

Requested 1975-76	\$282,026
Estimated 1974-75.....	278,638
Actual 1973-74	174,660
Requested increase \$3,388 (1.2 percent)	
Total recommended reduction	\$141,026

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

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1. *General Program. Reduce \$141,026.* Recommend (1) the budget request be reduced by one-half because program is not satisfactory, (2) a revised program to produce usable and realistic plans for decisionmakers be submitted by the Secretary of the Resources Agency to the Legislature, and (3) no more than \$141,000 be approved for the program until the above revision has been submitted and accepted by the Legislature. 366

GENERAL PROGRAM STATEMENT

The California Protected Waterways Act of 1968 established the policy of the State of California to provide for the protection of those waterways of the state which possess extraordinary scenic, fishery, wildlife, or recreation values. The act directed the Resources Agency to (1) identify waterways with such values, (2) propose standards and requirements which would extend effective, long-range protection to such waterways, and (3) identify waterways which should receive priority action for protection.

Upon receipt of the Protected Waterways Report, the Legislature, in Chapter 761, Statutes of 1971, directed the Resources Agency to develop detailed management plans for portions of 20 specified waterways on the north coast. In addition to the scenic, wildlife, recreational and free flowing river aspects, the plans were also to include evaluations of flood control, water conservation, streamflow augmentation, water quality improvement, and fishery enhancement. In the California Wild and Scenic Rivers Act of 1972, the Legislature added portions of the American River to the rivers which were to be studied, and also significantly restricted the purposes for which dams could be built on any of the specified rivers. The Waterways Management Planning Unit within the Resources Secretary's Office is charged with the preparation of the waterways plans.

WATERWAYS MANAGEMENT PLANNING—Continued**ANALYSIS AND RECOMMENDATIONS****Program Not Accomplishing Objectives**

We recommend that (1) the budget request be reduced by one-half, to \$141,000 (\$—141,026), because the program is not satisfactory, (2) a revised program to produce usable and realistic plans by decisionmakers be submitted by the Secretary of the Resources Agency to the Legislature, and (3) no more than \$141,000 be approved for the program until the above revision has been submitted and accepted by the Legislature.

By the end of the current fiscal year, Waterways Management Planning (WMP) will have expended about \$518,000 over a three year period. These expenditures have been for (1) gathering basic planning data for the Klamath and Smith Rivers, (2) reviewing environmental impact reports on projects which might affect one of the rivers to be studied, and (3) preparing a draft plan for the Smith River. Most of the WMP expenditures have been for the preparation of the Smith River Plan.

In our 1972-73 Analysis and our 1973-74 Analysis we recommended approval of WMP's budget requests principally because work had not progressed sufficiently to permit meaningful evaluation of the program. A draft plan for the Smith River has now been made available.

The draft plan does not appear to be satisfactory. Its principal failure is that it does not provide a meaningful management guide for the protection of the scenic, fishery, wildlife and recreational values of the river. It is principally a description of the Smith River and its resources rather than a management plan. It does not clearly indicate to decisionmakers or to private citizens what criteria are to be utilized to measure proposed actions which might affect the river's extraordinary scenic, fishery, wildlife and recreation values.

In specifics, the draft plan does not clearly identify the scenic, fishery, wildlife, and recreation values which are to be protected and how such values are to be protected. It offers few meaningful proposals for standards and requirements which would provide effective, long-range protection to the river. It does not adequately evaluate and analyze flood control measures. The draft plan recommends flood plain zoning, but does not indicate what flood plain zoning should be undertaken and what the economic and environmental impact of such zoning would be. The draft plan does not indicate the compatibility between itself and (1) local zoning, (2) plans of the Department of Parks and Recreation for the Jedediah Smith Redwood State Park, (3) plans of the National Forest Service for the Six Rivers National Forest, and (4) plans of the National Park Service for the Redwood National Park. The conclusions regarding highway plans are not adequately substantiated for independent analysis by others. The authorizing legislation for WMP stated that lumbering was not to be unreasonably limited, but the draft plan does not indicate the economic impact of restrictions being imposed upon timber harvesting. Finally the draft plan does not discuss its impact on private lands.

Part of the shortcomings of the plan is due to the lack of clarity in the authorizing legislation on what the planning is to accomplish. In addition, it is difficult to prepare an effective plan without duplicating the functions

of various state agencies and the type of planning involved is difficult under any circumstances.

Rather than continuing the program on its present course, we recommend that the proposed expenditure be reduced by one-half and that WMP be directed to prepare a revised approach to the river plans. Such a revised approach should include among others: (1) an elaboration of potential management techniques, (2) methods of coordination with state agencies, local government and the federal government, (3) a statement of types of problems to be solved, (4) clarification of statutory planning directives, (5) a schedule of staff activities, and (6) a funding schedule. The Secretary of the Resources Agency should submit the revised approach to the Legislature for review and acceptance. If the Legislature is able to review and accept the revised approach prior to the passage of the Budget Bill, we would recommend that the Legislature reconsider WMP's funding level.

Staff Should Spend More Time in Study Area

At the present time WMP has a full-time staff of five located in Sacramento. Some of the difficulty that WMP has been experiencing is a result of the attempt to make plans in Sacramento for rivers on the north coast. The north coast is six to eight hours distant from Sacramento by automobile. Commercial air travel is available, but it is not convenient. Staff residence in Sacramento with travel to the north coast is not cost or time effective for a program which is contemplated to continue on the north coast through the 1980-81 fiscal year. The WMP staff is thus not able to cooperate fully with local government as required by the legislation which authorized the WMP program. Special monthly assignments of the WMP staff to the study area should reduce these problems.

Resources Agency SEA GRANT PROGRAM

Item 215 from the General
Fund

Budget p. 516

Requested 1975-76	\$500,000
Estimated 1974-75	500,000
Actual 1973-74	None
Total recommended reduction	\$500,000

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

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1. *Project Review. Reduce \$500,000.* Recommend all funds budgeted for sea grant projects be eliminated. 368

SEA GRANT PROGRAM—Continued**GENERAL PROGRAM STATEMENT**

The National Sea Grant College Program Act of 1966 (P.L. 89-688) authorizes federal grants to institutions of higher education and other agencies engaged in marine resources development programs. Federal funds provide up to two-thirds of the total cost of approved projects.

Chapter 1115, Statutes of 1973, allocates to the Resources Agency \$500,000 annually for fiscal years 1974-75 through 1978-79 from state tidelands oil and gas revenues for distribution to higher education institutions. The state funds finance two-thirds of the local match required by the federal government for sea grant projects. The Resources Secretary approves the projects which are selected by an advisory panel of representatives from state departments, higher education and private industry.

ANALYSIS AND RECOMMENDATIONS

By December 1974, the state had entered into sea grant contracts with the University of Southern California for \$51,669 in state funds and the University of California for \$337,213. The Resources Agency anticipates that Humboldt State University will receive approximately \$32,000.

No Projects Selected for 1975-76

We recommend that funding for sea grant projects be eliminated for 1975-76 by revising this item to reappropriate the \$500,000 to the General Fund.

Last year the Legislature approved funds for the first year of the sea grant program with the understanding that the Resources Secretary would submit proposed projects, beginning with 1975-76, for legislative budget review. As of the time of this writing the advisory panel has not met to identify state needs which might be fulfilled through research projects for 1975-76, to establish priorities for the program or to recommend projects for funding in 1975-76. We therefore recommend that the \$500,000 for sea grant matching be eliminated. In order to do this the money must be reappropriated to the General Fund. The new administration will have an opportunity in the budget year to review the merits of the program for 1976-77 relative to other state needs for tidelands revenue.

Resources Agency
MAINTENANCE DREDGING COORDINATION

Item 216 from the General
Fund

Budget p. 516

Requested 1975-76	\$54,000
Estimated 1974-75.....	27,000
Requested increase \$27,000 (100 percent)	
Total recommended reduction	None

ANALYSIS AND RECOMMENDATIONS

We recommend approval.

Chapter 1274, Statutes of 1974 created a pilot program for the Resources Agency to process and expedite all permits for any maintenance dredging or new dredgings up to 100,000 cubic yards. The program is to remain in effect until July 1, 1976, and is confined to the jurisdiction of the San Francisco Bay Conservation and Development Commission (BCDC) which is carrying out the program for the agency secretary. Under this pilot program a dredging application would be submitted to BCDC which would act as a clearinghouse for interested local, state and federal agencies.

This item appropriates \$54,000 from the General Fund to the Resources Agency to support the program. The \$27,000 increase for the budget year represents the full year costs for two positions established by BCDC for this new program.

Resources Agency
**STATE ENERGY RESOURCES CONSERVATION AND
DEVELOPMENT COMMISSION**

Item 217 from the State Energy
Resources Conservation and
Development Special Account,
in the General Fund

Budget p. 522

Requested 1975-76	\$1,000,000
Estimated 1974-75 (all funds)	711,000
Actual 1973-74	-
Requested increase \$289,000 (40.6 percent)	
Total recommended reduction	Pending

GENERAL PROGRAM STATEMENT

The State Energy Resources Conservation and Development Commission became operative on January 7, 1975. The five-member, full-time commission is responsible for powerplant siting and certification of power facilities as well as forecasting and assessing energy supplies and demands.

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

The commission is to develop, coordinate and sponsor a program of research and development in energy supply, consumption, conservation and facilities location. The commission is funded by a surcharge levied on the retail sale of electricity.

ANALYSIS AND RECOMMENDATIONS

We withhold recommendation pending organization of the commission and submission of its proposed budget. There is no detailed information available on the proposed budget as of this writing.

Resources Agency
STATE SOLID WASTE MANAGEMENT BOARD

Item 218 from the General
Fund

SF m 4/10/75

Budget p. 523

Requested 1975-76	460K personnel	\$654,670
Estimated 1974-75	225K exp. app	2,681,323
Actual 1973-74		221,164
Requested decrease \$2,035,653 (76 percent)		
Total recommended reduction		None

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

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1. *Methanol Recovery. Reappropriate \$250,000.* Recommend 371
\$250,000 be reappropriated for evaluation of state's interest in methanol.
2. *Resource Recovery Program.* Recommend board rework 373
program to comply with statutory directive.

GENERAL PROGRAM STATEMENT

The Solid Waste Management Board (SWMB) was established by Chapter 342, Statutes of 1972, for two major purposes. The first is the development of statewide plans including programs, policies and operating guidelines for control of litter and solid waste disposal problems affecting local government.

The second purpose is to promote resource recovery and material recycling. The board is to achieve this second goal with the assistance of a 25-member advisory council. The council and the board's staff are responsible for preparing recommendations to the board for development of a program to maximize, to the extent practical, recovery of resources, conservation of energy and material recycling through grants, studies, demonstrations and incentives.

5/21/75 we introduced budget & control section language for \$10.7
changing DF letter on the \$2.3M to make \$500K orail & the \$1.8M bal to
wait for legis. direction
6-1-75 SF any letter for 116K is approved re applied EPA grant
5/15/75 W&M

ANALYSIS AND RECOMMENDATIONS

In the past the SWMB has cautiously increased its staff. Table 1 shows the personnel growth and the increase of 11 positions (9.9 positions after salary savings) being sought in the budget year.

Table 1
Personnel Increases

	1973-74	1974-75	1975-76
Planning and Implementation	8	11	17
Resource Recovery	2.1	3	6.9
Net State Employees.....	10.1	14	23.9

Current Year Funding

This budget proposes an expenditure of \$654,670 in General Fund money plus a carryover of \$41,324 from the current year. Compared to the current year the budget shows a decrease of \$2,035,653. This is because the budget assumes the expenditure in the current year of \$2,705,000 appropriated in the 1974 Budget Act for special projects, although only a small portion of it will probably be expended.

The board's current year budget consists of Item 240 which appropriate \$2.53 million from the General Fund and Item 241.1 consisting of \$405,00 for a contract with the University of Southern California to design solid waste disposal facilities for northern and southern California. Both of these items will revert on June 30 if not encumbered.

Most of the \$405,000 appropriated for the design of a modular resource recovery facility will be encumbered by a contract to be awarded soon. Approximately \$33,000 of the \$405,000 has been used to fund an unbudgeted research project to bale and remove rice straw from rice fields in order to reduce the air pollution caused by the present practice of burning the straw in the fields. The contract will also cover the potential of feeding the baled straw to cattle following chemical treatment and pelletizing.

No Progress on Bay-Delta Solid Waste Project

The \$2.53 million includes \$2.3 million added by the Legislature to be used solely for a solid waste disposal demonstration project in the San Francisco bay area and the Delta in cooperation with the Association of Bay Area Governments (ABAG) and the federal government. The project concept involves composting some of San Francisco's municipal refuse transporting it to, and depositing it on Mandeville Island in the Delta to strengthen the levees. This project has not progressed due to the lack of ABAG and federal matching funds, uncertainty about its feasibility, and lack of activity by various state agencies with interests in the Delta. The \$2.3 million will probably not be expended in the current year as shown in the budget and will probably revert. In this respect the Governor's Budget appears to overstate expenditures.

Recovery of Methanol from Solid Waste

We recommend that the Legislature appropriate \$250,000 to the Solid Waste Management Board for the evaluation and determination of the state's interest in resource recovery including special attention to methanol.

*we agreed to drop this
in lieu of the 2.3M*

*WWM 4/3/75 held for ARB etc
Green letter 218.2 re
SB 443 for 9 M -- taken U.S.*

STATE SOLID WASTE MANAGEMENT BOARD—Continued

The probable reversion of \$2.3 million can provide \$250,000 (if reappropriated in the Budget Bill) for the evaluation and determination of the state's interest in stimulating the production and marketing of fuels with low emissions such as methanol from solid waste as a part of the board's resource recovery program. There are many approaches to recovery of resources from wastes. Various valuable end products can be obtained for use as fuel and in manufacturing fertilizer. Production of methanol appears to be one of the most promising. Additional board staff and outside consulting assistance amounting to \$250,000 should be provided for a survey of the state's interest in a program to produce energy from solid waste giving special attention to methanol.

Technical developments have recently enhanced the prospect of using pyrolysis as a method of converting various municipal wastes, crop and dairy wastes, and waste from forest products to produce needed fuels, including methanol. Methanol is a type of alcohol that can be produced at the rate of approximately 50 gallons per ton of solid waste. Methanol appears to be a good substitute fuel for use at powerplants such as those used only intermittently in areas of high air pollution or as an energy source at other stationary facilities now using natural gas. Methanol already has been shown to produce low exhaust emissions when used in a blend with gasoline or as a substitute for gasoline in automobiles.

Extensive research at the Massachusetts Institute of Technology, at the University of California at Berkeley and at San Diego, and at the University of Santa Clara, plus laboratory and test work by Exxon Petroleum, Shell Oil, and Chevron Research has indicated some of the advantages and difficulties in the use of methanol as an automobile fuel. Methanol can be used by itself as an automobile fuel or it can be blended with gasoline (which raises the gasoline's octane rating). Satisfactory performance tests have been conducted blending about 15 percent methanol. Such blending can extend present gasoline supplies.

A number of problems must be overcome, however, such as the affinity of methanol for water and the deterioration or corrosion of the fuel tanks and various parts made with aluminum and some plastics. Therefore in order to minimize these problems, its most feasible initial use may be to fuel modified fleet vehicles without blending. Methanol has a lower energy content than gasoline but it is very clean burning and its combustion properties result in lower temperatures and significantly reduced NOx emissions. In some tests it has produced somewhat less CO and HC emissions than gasoline.

If methanol can be successfully blended with gasoline, it probably will provide lower vehicular emissions (depending on the model and emission controls), better performance (methanol is now used in racing cars) and less gasoline consumption. As a result of the increased octane rating, there is the further possibility that methanol might some day replace the lead in premium and regular gasolines and thereby eliminate the automobile as a source of lead pollution. If the amount of lead, which is the basic difference in grades of gasoline, can be reduced to zero, all automobiles

annually $\approx 20M$ tons MRR
35M tons aggr
14M tons industrial

9/13 S/F heard & wanted us
to review Chait Whitney's
proposal

Need
Coord
with
AES &
Energy
Comm

might also be able to operate on one grade of gasoline. Producing and distributing one grade of gasoline would substantially reduce the cost of gasoline and thereby justify economically the costs of blending methanol in gasoline.

Although difficulties exist in the production, marketing and use of methanol, its potential to assist in solving energy supply problems, its low emission characteristics, and the possibility of eventually establishing a new industry to stimulate the economy, mean that methanol currently appears to have special advantages compared to other waste conversion products. These advantages are not fully developed but appear to merit giving priority attention to methanol in the state's solid waste management, energy, and air pollution programs.

Other public agencies are interested in the production of methanol. In 1974 the Department of Lighting in the City of Seattle, Washington (population 520,000) published several reports on studies it has made to evaluate the potential of converting Seattle's municipal wastes into ammonia for fertilizer purposes or into methanol for use by government agencies, particularly as a fuel for buses. The Seattle studies show how such conversion could produce an estimated 30 million gallons per year of methanol at approximately 31 cents per gallon (without taxes) and reduce the need for gasoline from conventional (including foreign) petroleum sources.

A nonprofit foundation (EDICT) recently received a \$30,000 contract from the Assembly to prepare a program to investigate the potential use of methanol as a fuel substitute. This program is proposed to be conducted by the firm without supervision from any agencies of the executive branch of state government with expertise in this area.

It is essential that the state adopt a comprehensive approach in planning and executing any solid waste management project. The newly created Energy Resources Conservation and Development Commission should have an interest in the energy and fuel conservation aspects of solid waste conversion. We are also recommending in the budget of the Air Resources Board that some of its increased research funding be used to determine more precisely the air pollution and vehicular fuel characteristics of methanol.

Resource Recovery Program

We recommend that the Solid Waste Management Board be directed by supplemental report language to resubmit its Resource Recovery Program by January 1, 1976.

A key part of the board's enabling legislation directed the preparation of a resource recovery program by the Board's Advisory Council and its adoption by the board following any necessary modification by January 1, 1975. Our analysis and the Legislature's review of the board's budget last year emphasized the importance of the Resource Recovery Program. The legislation specified that the report should include at least the following:

- (a) Guidelines, criteria, financing schemes and other factors for a state-directed research and development program covering a broad spectrum of solid waste handling and recycling activities.

W&M
OK'd 4/3/76

SE
OK'd
4/10

STATE SOLID WASTE MANAGEMENT BOARD—Continued

- (b) Special studies and demonstrations on the recovery of energy and materials to be achieved by investigating problems in seven specific areas including packaging, methods of waste collection, incentives to accelerate recycling waste materials, and taxes to finance disposal of manufactured goods.
- (c) Data gathering through state pilot resources recovery projects at state or other institutions.

The program submitted by the board is not responsive to those directives. It does not include the specific elements requested in (a), (b) or (c) above. Although it identifies certain problem areas in the general field of resource recovery on which the board intends to expend effort using the four new positions being requested, the discussions of problem areas propose vague future actions and do not contain a detailed plan. In addition there is no implementation schedule to insure the attainment of the limited proposals in the program.

We believe that the Legislature should add supplemental report language to the Budget Bill directing the board to rework the Resource Recovery Program. Our recommended resubmission date of January 1, 1976 should give the board adequate time to prepare a detailed plan covering (a), (b) and (c) above and also schedule the activities, the manpower, and the funding requirements needed to accomplish the program.

Resources Agency**AIR RESOURCES BOARD**

Items 219-225 from the General Fund, and three special funds

Budget p. 526

Requested 1975-76	\$29,249,157
Estimated 1974-75.....	18,552,589
Actual 1973-74	11,544,840
Requested increase \$10,696,568 (57.7 percent)	
Total recommended reduction	Pending

1975-76 FUNDING BY ITEM AND SOURCE

Item	Description	Fund	Amount	Analysis page
219	Air Resources Board	General	\$1,510,756	375
220	Air Resources Board	Motor Vehicle Account, State Transportation	7,628,235	375
221	Air Resources Board	Automotive Repair	1,522,327	376
222	Air Resources Board	Env. Protection Program	3,200,000	378
223	Air Resources Board	Motor Vehicle Account, State Transportation	10,787,839	380
224	Air Resources Board	General	2,300,000	377
225	Air Resources Board	Motor Vehicle Account State Transportation	2,300,000	377
			\$29,249,157	

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS*Analysis
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|---|-----|
| 1. Air Quality Monitoring. Recommend the Air Resources Board (ARB) review the state and local responsibilities for air quality monitoring and the appropriate amount of state subvention for monitoring. | 376 |
| 2. Research (Items 220 and 222). Defer recommendation on \$3,171,000 for contract research pending formulation of a comprehensive, goal-oriented program. | 378 |
| 3. Research. Recommend the board consider including in its research a project to evaluate the technical feasibility and emissions characteristics of methanol as a fuel for vehicles, power plants and other stationary sources. | 378 |
| 4. Strategy Planning and Testing, and Enforcement (Items 219, 220 and 222). Defer recommendation on \$1,194,406 requested for an increase of 52 positions in the strategy planning and testing and enforcement elements. | 380 |
| 5. Mandatory Vehicle Inspection Program. Recommend \$10,787,839 for the Mandatory Vehicle Emission Inspection Program from the Motor Vehicle Account in the State Transportation Fund which is appropriated as a loan to the Bureau of Automotive Repair through the ARB (Item 223) be designated as a loan to either the bureau or the Department of Motor Vehicles, depending on legislative reconsideration of where responsibility should lie to conduct the Mandatory Vehicle Emission Inspection Program. | 380 |

GENERAL PROGRAM STATEMENT

The Air Resources Board (ARB) is responsible for achieving and maintaining satisfactory air quality in California. The board is composed of five part-time members appointed by the Governor. They serve at his pleasure. The board's staff is under the direction of an executive officer. The administrative functions and most of the board's staff are located in Sacramento. Vehicle testing, vehicular emissions control and laboratory work are located at El Monte.

ANALYSIS AND RECOMMENDATIONS**Sources of Funding**

Total ARB expenditures for 1975-76 are estimated at \$30,952,241 including \$29,249,157 from the state, \$1,003,084 in federal funds and \$700,000 in reimbursements.

The General Fund in the past has supported expenditures for pollution control not directly related to vehicles. However, General Fund expenditures (Items 219 and 224) are down \$3,471,236 from the current year, largely because of a change in funding of subventions to local air pollution control districts. The subventions have been fully financed by the General Fund in the past, but in the budget year \$2,300,000, or one-half of the total

AIR RESOURCES BOARD—Continued

of \$4,600,000, will come from the Motor Vehicle Account, State Transportation Fund (Item 225). The Motor Vehicle Account will finance the third phase of the mandatory vehicle emission inspection program with a loan of \$10,787,839 (Item 223). The loan is made to the ARB but the funds are to be used by the Bureau of Automotive Repair (BAR) of the Department of Consumer Affairs to implement the program. The Motor Vehicle Account also supports vehicular related pollution control activities of the board amounting to \$7,628,235 (Item 220). The California Environmental Protection Fund (Item 222) contributes one-half of the board's research budget or \$1,630,749. The remaining \$1,569,251 from this fund and federal funds of \$1,003,084 are distributed throughout the board's programs. Reimbursements of \$700,000 from automobile manufacturers are expected in 1975-76 to offset the cost of the board's assembly line testing program and other vehicle testing.

Program Increases

The ARB's budget request for 1975-76 of \$29,249,157 is an increase of \$10,696,568 over the current year or 57.7 percent. Components of this increase are shown below:

Increase in loan for mandatory vehicle emission inspection program (implemented through BAR)	\$8,187,839
Increase for additional positions in administration and for additional public information costs	240,061
Increase for research	1,547,040
Increase for strategy planning and testing	625,406
Increase for various ARB and BAR enforcement efforts....	569,000
Deletion of funding for California Highway Patrol (CHP) passenger vehicle random roadside emission inspection program.....	-1,001,747

Excluding funds transferred by ARB to the BAR and CHP, there is an increased expenditure in the budget year for direct ARB activities of \$3,568,018 or 24 percent.

State and Local Responsibilities for Air Quality Monitoring

We recommend that the ARB review the state and local responsibilities for air quality monitoring and the appropriate amount of state subvention for monitoring.

Air Pollution Control Districts (APCD's) are local agencies established as districts under state law to control air pollution. Most of the districts coincide with county boundaries. Their responsibilities are primarily for the control of stationary, rather than vehicular emission sources. Prior to 1972, APCD's were completely supported by local taxes and federal grants. In 1972, state subventions were added.

Present law does not clearly establish responsibilities for air quality monitoring between the ARB and local air pollution control districts. Section 39052 of the Health and Safety Code states that "the board shall monitor air pollutants in cooperation with other agencies". The ARB has a network of 38 air quality monitoring stations statewide. Part of the 38

stations are local stations which the ARB pays for because it uses the data for the statewide network. The ARB uses the data from the 38 stations to measure the overall air quality of the state and to detect any changes in it. Responsibilities of APCD's for monitoring are not precisely defined in law but presumably they are to collect air quality data to permit each district to measure the air quality in the district and regulate any stationary sources which adversely affect air quality.

The board's budget requests an increase of \$177,312 for air quality monitoring in the state's developing geothermal power areas and for parts of the San Joaquin Valley. The geothermal area monitoring involves measuring sulfur pollutants to determine a baseline of existing air quality conditions against which to compare any future degradation as new geothermal development takes place. This is essentially a program to measure the air quality impacts of stationary sources for purposes of regulating them and would seem a proper function of a local APCD.

The San Joaquin Valley measurements will be part of an attempt to assess crop damage due to oxidants. The local APCD's, under Section 24262 of the Health and Safety Code, may take action to reduce air contaminants which cause property damage. Therefore this program also would seem to be a proper function of the local APCD's. APCD's must have current air quality data to determine the effectiveness of their own programs.

Although the Bay Area Pollution Control District and the districts of the south coast air basin have extensive monitoring networks, many other districts do no monitoring at all but rely on the state. This situation plus the lack of clear responsibility for geothermal area and San Joaquin Valley monitoring, points up the need for a clearer definition of responsibilities between the state and local agencies for air quality monitoring.

Role of Subventions in Air Quality Monitoring. In past years, the General Fund has financed all the subventions to APCD's. The rationale for this funding was that local APCD's are concerned almost exclusively with control of emissions from stationary sources rather than from vehicles. The level of funding was established by a formula based on a 23 cents per capita subvention. Based on a California population of 20 million the level was set at \$4,600,000 in 1972. It has remained constant since.

For the first time the budget proposes that the Motor Vehicle Account of the State Transportation Fund finance one-half the subvention. In the data collection element of the ARB's 1975-76 budget, the following statement explains funding for subventions to local APCD's:

"Recognizing the fact that a significant portion of local air pollution districts' air quality monitoring is as a result of vehicular emissions, \$2.3 million (50 percent) of the subvention program is proposed to be funded from the Motor Vehicle Account, State Transportation Fund."

The use of the Motor Vehicle Account to finance half the subventions raises several problems. First, local APCD's have statutory responsibilities which lie almost exclusively in the control of emissions from nonvehicular sources. Constitutionally, Motor Vehicle Account money is limited to purposes related to motor vehicles. Although it has not been recognized in the

AIR RESOURCES BOARD—Continued

past, local APCD's as a practical matter are probably monitoring vehicular emissions, even though this is not their statutory role. Consequently, the law and the facts may be inconsistent. Until this doubt is resolved, the constitutional issue of proper expenditure of Motor Vehicle Account money for monitoring seems beyond resolution.

Second, monitoring costs make up less than one-half the expenditures of APCD's, but the contribution of the Motor Vehicle Account for 1975-76 is half of the subventions. Third, some APCD's are not involved in monitoring, but one-half of the subventions to each district are to be funded by the Motor Vehicle Account. Fourth, Section 39219 of the Health and Safety Code requires that any funds appropriated to the board for subventions which are not allocated during the fiscal year will revert to the General Fund. The sum of \$675,000 reverted in 1973-74. If Motor Vehicle Account monies were left over in 1975-76 they would have to go to the General Fund.

In addition, the present subvention funding level of \$4,600,000 should be reviewed. The 23 cents per capita figure was based on a contribution of one-half of an estimated average cost of 46 cents per capita for local APCD programs in 1972. Inflation has raised local costs, control responsibilities have increased, and 46 cents may no longer be a realistic figure. In addition, California's population has grown since 1972.

In view of the lack of clear guidelines for air quality monitoring by local APCDs and the inconsistencies in funding half of the APCD subventions from the Motor Vehicle Account, we recommend that the board review the air quality monitoring responsibilities and the appropriate subventions for it.

Research Program

We defer recommendation on \$3,171,000 (Items 220 and 222) for research pending formulation of a comprehensive, goal-oriented program.

We have criticized the board's research in the past because it lacked goals and priorities, and because many of the research projects did not provide guidance for decisions which the board needed to make. The board made some progress last year when it restructured its research program at legislative request. It has defined a set of rather general objectives toward which future research will be directed, but these general objectives have not been developed into short-term precise statements of information needed by the board to make decisions.

The budget lists five research priority areas for 1975-76. However, we lack descriptions of any specific research projects, what they will cost, and when they will be completed. In addition, the budget narrative indicates that the research priorities may be changed. In view of the past inadequacies of the board's research program, we defer recommendation pending formulation of a specific set of research projects.

Methanol Research Recommended

We recommend that the board consider including in its research, a project to evaluate the technical feasibility and emissions characteristics of methanol as a fuel for vehicles, power plants and other stationary sources.

Considerable scientific attention has been focused recently on the use of methanol and methanol-gasoline blends as alternatives to gasoline and other petroleum fuels. The Assembly has granted a \$30,000 contract to the EDICT foundation (Ecology Development and Implementation Commitment Team) for a four-month study to examine the problem of producing alternative or supplementary fuels, particularly methanol from wastes.

Methanol may be blended with gasoline for use as a fuel for internal combustion engines. Recent studies at the University of Santa Clara and the Massachusetts Institute of Technology indicate that lower nitrogen oxide emissions can result from the use of methanol-gasoline blends in automobiles. Emissions tests for carbon monoxide and hydrocarbons using blends have produced conflicting results. Drivability, affinity for water, and fuel system materials compatibility with blends are problems which have been noted in studies conducted by Chevron Research Company and Exxon Corporation.

Methanol has a high octane rating and could conceivably be used instead of lead to improve burning qualities of gasoline. Reduction of lead emissions is an important goal in air pollution control. The toxicity of lead to humans is well known. Methanol, unlike lead, appears to have the additional advantage of being compatible with the catalytic converters now used to reduce exhaust emissions.

Some concern has been expressed recently over sulfate emissions from vehicles equipped with catalytic converters. Methanol contains no sulfur. If gasoline is blended with methanol for use in these vehicles, sulfate emissions should be reduced by an amount proportional to the percentage of methanol in the blend.

Pure methanol has been used for years as an automobile racing fuel. Fewer technical problems are associated with pure methanol than with methanol gasoline blends. Pure methanol would certainly not be available in sufficient quantity to fuel all California vehicles, but it could be used on a localized basis, such as in municipal fleets.

Methanol may be an attractive alternative to fuel oil as a fuel for power plants. Methanol contains no sulfur and thus avoids the problems of sulfur oxide emissions inherent in substituting fuel oil for diminishing supplies of natural gas. High oil prices and the limited availability of low sulfur fuel oil make it seem even more attractive.

A commercially marketed system for the production of methanol from solid waste is being planned for installation by the City of Seattle. Producing fuel from waste helps to solve both solid waste disposal and petroleum shortage problems at once. We are recommending in our analysis of Item 218 that the Solid Waste Management Board evaluate the state's interest in stimulating the production and marketing of fuels such as methanol from solid waste. In view of the new technology becoming available for producing methanol from waste, and our shortage of petroleum, we recommend that the ARB evaluate the possible pollution reduction benefits of methanol as a fuel for vehicles, power plants and other stationary sources.

AIR RESOURCES BOARD—Continued**Strategy Planning and Testing, and Enforcement**

We defer recommendation on \$1,194,406 (Items 219, 220 and 222) requested for an increase of 52 positions in the strategy planning and testing, and enforcement elements.

We have not received adequate justification from the board for these increases. The programs involved are highly technical. Any changes should be fully developed and communicated to the Legislature before being approved. Complete and detailed plans for these program increases are needed.

The program changes appear to provide no significant effort to inspect assembly line testing of new cars by manufacturers. In its place, the ARB apparently is proposing to initiate state inspection of new cars on manufacturers vehicle storage lots in California. The authority of the board to do this and to charge the manufacturers is uncertain.

In addition, it is not clear that the board is evaluating and solving its problems in selecting and establishing test methods and exhaust standards for vehicle emission testing in order to permit achieving the maximum measurement benefits from the minimum number and variety of emission tests. The board specifically should consider discontinuing the use of the random seven-mode test.

Mandatory Vehicle Emission Inspection Program

We recommend that \$10,787,839 for the Mandatory Vehicle Emission Inspection Program from the Motor Vehicle Account in the State Transportation Fund which is appropriated as a loan to the Bureau of Automotive Repair through the ARB (Item 223), be designated as a loan to either the bureau or the Department of Motor Vehicles, depending on legislative reconsideration of the responsibility to conduct the Mandatory Vehicle Emission Inspection Program.

Chapter 1154, Statutes of 1973, established the mandatory vehicle emission inspection program for Los Angeles, Orange, Riverside, Santa Barbara, San Bernardino and Ventura Counties. When the program is fully operational, car owners in the six counties will be required to have their cars inspected upon initial registration or renewal of registration. Emissions to be tested are hydrocarbon, carbon monoxide and oxides of nitrogen. The ARB is to prescribe emissions standards for these pollutants by vehicle class and model year.

Chapter 1154 provided \$400,000 from the Motor Vehicle Account in the State Transportation Fund to the Department of Consumer Affairs to plan the program and \$100,000 to the ARB to set the emissions standards. The Bureau of Automotive Repair (BAR) of the Department of Consumer Affairs used these initial funds to hire consultants to determine needed facilities, equipment and procedures.

The Budget Act of 1974 appropriated \$2.6 million from the Motor Vehicle Account to the ARB for a loan to BAR for the second phase of the program. A trial program using six inspection lanes was to begin in Riverside County in July 1974. By December 31, 1974, BAR was to adopt an inspection program and to advise the Legislature whether the program

should be extended to other parts of the state. Upon completion of the design of the program, acquisition of sites and construction of inspection lanes was to begin throughout the six counties. During 1975, inspection of vehicles on change of ownership is to begin. After December 31, 1976, inspection of vehicles upon initial registration or renewal of registration is to begin.

The BAR has experienced difficulties in meeting the program schedule given in Chapter 1154. The program has suffered a delay of about one year. The trial program of six lanes in Riverside County has not yet started. The previous administration did not seek to expedite the program. The ARB's budget for 1975-76 contains \$10,787,839 for a loan to BAR for facilities, equipment and personnel training for the third phase of the inspection program.

For reasons of increased economy, efficiency and better coordination, we are recommending a transfer of the program staff and funding from BAR to the Department of Motor Vehicles (DMV). These recommendations are made in our analysis of the support budgets for those agencies (Items 141 and 205). (A similar recommendation has been made by the Little Hoover Commission). DMV has a network of 50 field offices in the six counties and could ultimately offer motorists one-stop registration and inspection. Inspection lanes could be located at DMV facilities, and DMV could provide support functions at a lower incremental cost than a separate system set up by BAR. A more detailed discussion of the advantages of transferring the program and funding can be found in our analysis of Item 205. In order to make the program transfer possible, the language in Item 223 should be changed to allow the \$10,787,839 appropriated for a loan to BAR to be loaned to either BAR or DMV, pending a legislative decision on this issue.

Resources Agency

CALIFORNIA ADVISORY COMMITTEE (Water Planning)

Item 226 from the General
Fund

Budget p. 532

Requested 1975-76	\$8,640
Estimated 1974-75	8,640
Actual 1973-74	6,224
Requested increase None	
Total recommended reduction	\$8,640

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

Analysis
page

1. *Delete Item. Reduce by \$8,640.* Recommend deletion of item because conditions existing when the committee was established no longer prevail. 382

CALIFORNIA ADVISORY COMMITTEE—Continued**GENERAL PROGRAM STATEMENT**

The California Advisory Committee was authorized by Chapter 1647, Statutes of 1965. It consists of an Assembly member, a Senate member, one member of the California Water Commission and four Governor's appointees. The committee generally meets quarterly. It is authorized to hold hearings and provide advice to both the Legislature and individuals appointed by this state to any interstate organization participating in water planning among the western states (presently the Western States Water Council).

ANALYSIS AND RECOMMENDATIONS

We recommend deletion of the item (\$8,640) because conditions existing when the committee was established no longer prevail.

The advisory committee was organized when there were basic differences between the Legislature and the administration on water resources policy, when major water projects located outside of California that were of interest to California were being considered, and when several water projects were especially controversial.

Resources Agency**CALIFORNIA-NEVADA INTERSTATE COMPACT COMMISSION**

Item 227 from the General

Fund

Budget p. 533

Requested 1975-76	\$27,500
Estimated 1974-75.....	27,500
Actual 1973-74	18,944
Requested increase None	
Total recommended reduction	None

ANALYSIS AND RECOMMENDATIONS

We recommend approval.

The seven-member California-Nevada Interstate Compact Commission was created in 1955 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.

The principal purpose of the compact is to avoid lengthy and costly water rights litigation. The present version of the compact was adopted by California in 1970 and Nevada in 1971.

In order to become effective, the compact must be ratified by Congress. It now appears that the compact will not be ratified. In 1971, legislation was introduced in Congress to ratify the compact, but the commission has been unable to obtain committee hearings on its proposal. This is apparently because of the opposition of the U.S. Department of the Interior which cannot resolve its own internal water use conflicts and prefers to

have them resolved in court. In addition, the U.S. Department of Justice opposes the compact because it might compromise federal litigation of Truckee River water rights in Nevada.

If congressional hearings on the compact are not held in 1975 and litigation continues, future budgets of the commission should be reduced to a standby level.

Resources Agency COLORADO RIVER BOARD

Item 228 from the General
Fund

Budget p. 533

Requested 1975-76	\$118,320
Estimated 1974-75.....	115,579
Actual 1973-74	106,990
Requested increase \$2,741 (2.4 percent)	
Total recommended reduction	None

GENERAL PROGRAM STATEMENT

The Colorado River Board is responsible for protecting the state's interests in the water and power resources of the Colorado River System. The board is composed of six members appointed by the Governor, each from one of the public agencies having rights to the use of water or power from the Colorado River. These agencies are: Palo Verde Irrigation District, Imperial Irrigation District, Coachella Valley Water District, Metropolitan Water District of Southern California, San Diego County Water Authority, and City of Los Angeles Department of Water and Power. Activities include analyses of the engineering, legal, and policy matters concerning the water and power resources of the seven Colorado River Basin states. The board develops a single position among the California agencies having established water rights on the Colorado River.

ANALYSIS AND RECOMMENDATIONS

We recommend approval.

Starting in the 1972-73 fiscal year, funding for the Colorado River Board was changed to one-third by the state and two-thirds by the six water agencies listed above. The 1975-76 program continues at approximately the current-year level with estimated total expenditures of \$354,960 and a General Fund request of \$118,320.

Resources Agency
DEPARTMENT OF CONSERVATION

Items 229-236 from the General
 Fund, and special funds

Budget p. 535

Requested 1975-76	\$65,785,222
Estimated 1974-75.....	72,108,679
Actual 1973-74	61,131,805
Requested decrease \$6,323,457 (8.8 percent)	
Total recommended reduction	\$590,450

1975-76 FUNDING BY ITEM AND SOURCE

Item	Description	Fund	Amount	Analysis page
229	Department of Conservation, Primary funding source	General	\$62,878,361	385
230	State share of California In- stitute of Technology seismograph network	State Highway Acct. State Trans- portation	11,400	—
231	State share of California In- stitute of Technology seismograph network	California Water	11,400	—
232	Division of Oil and Gas Support	Petroleum and Gas	2,124,797	398
233	Division of Oil and Gas, Support	Geothermal Resources Account, Petroleum and Gas	19,542	398
234	Division of Forestry	Professional For- ester Registration	59,698	—
235	Division of Mines and Geology	Strong-Motion In- strumentation Program	514,902	397
236	Division of Oil and Gas	Subsidence Abatement	165,122	398
			<u>\$65,785,222</u>	

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

	Analysis page
1. <i>Forest Fire Stations. Reduce Item 229 by \$110,000.</i> Recommend deleting funds for two forest fire stations.	390
2. <i>Station Manning Levels. Reduce Item 229 by \$100,000.</i> Recommend deleting funds for night coverage of the second fire truck at all two-truck fire stations in Division of Forestry Region II on a one-year, experimental basis.	392
3. <i>Ecology Centers. Reduce Item 229 by \$300,000.</i> Recommend removing savings from conversion of three ecology centers to conservation camps.	392
4. <i>Fire Lookouts. Reduce Item 229 by \$80,450.</i> Recommend deleting funds for minor capital outlay for fire lookout stations.	393
5. <i>Emergency Fund Expenditures (Item 229).</i> Recommend (1) State Forester be required to declare any fire on which	393

- Emergency Fund monies will be expended to be an emergency, (2) \$1 million authorization for emergency expenditure be removed, and (3) Division of Forestry report on Emergency Fund expenditures to Legislature.
6. Soil-Vegetation Survey (Item 229). Recommend funds be used only for compilation and publication of maps for which field work has been completed. 396
 7. Strong-Motion Instrumentation Program (Item 235). Recommend report to Legislature by December 1, 1975 on plan for program. 397
 8. Fault Mapping (Item 229). Recommend report by December 1, 1975 on plan for program. 398

GENERAL PROGRAM STATEMENT

The Department of Conservation is responsible for the protection and development of certain wildland, mineral, and soil resources in the state. The department includes the Divisions of Forestry, Mines and Geology, and Oil and Gas. The staff at the department level provides management and service functions for the three divisions.

The Division of Forestry provides fire-protection services for the state responsibility, privately owned wildlands of the state and for local responsibility areas of the state pursuant to contracts with local government. It also administers the Forest Practice Act.

The Division of Mines and Geology develops and publishes geologic information about the terrain, mineral resources, and possible geologic hazards such as landslides, active faults and subsidence. The division also conducts a strong-motion instrumentation program to measure the large-scale, destructive ground motion of earthquakes.

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

Policies for the administration of the Divisions of Forestry and Mines and Geology are established by the Board of Forestry and the State Mining and Geology Board, respectively, whose members are appointed by the Governor.

ANALYSIS AND RECOMMENDATIONS

Funding Sources

Table 1 indicates the annual expenditures from all sources by the department for a five-year period. Total state controlled departmental expenditures will be over \$98 million in 1975-76. Most of the expenditures will be financed by the General Fund and by reimbursements. The reimbursements of over \$21.5 million are mostly for local fire control services performed by the Division of Forestry, subsistence payments by division employees, services to other agencies by conservation camps and Ecology Corps crews and services to the timber industry in administering the Forest Practice Act.

The federal funds are mostly payments for state fire protection of public domain land and custodial costs of federal inmates in conservation camps.

The allocations from the special General Fund appropriations in the

DEPARTMENT OF CONSERVATION—Continued

Table 1
Department of Conservation—Support Expenditures

<i>Source of funding</i>	<i>1971-72</i>	<i>1972-73</i>	<i>1973-74</i>	<i>1974-75^a</i>	<i>1975-76^a</i>
General Fund (includes Emergency Fund allocations for fire suppression as shown in parentheses)	\$43,630,632	\$51,077,639	\$58,724,957	\$69,390,554	\$62,878,361
	(1,731,561)	(3,122,630)	(4,481,525)	(4,200,000)	(200,000)
Petroleum and Gas Fund	1,290,376	1,464,275	1,686,215	1,968,533	2,124,797
Petroleum and Gas Fund—geothermal resources account	6,750	16,579	18,186	19,542	19,542
Subsidence Abatement Fund	127,782	139,180	141,605	162,238	165,122
Strong-Motion Instrumentation Program Fund	17,349	172,637	488,473	487,488	514,902
Professional Forester Registration Fund	—	—	49,569	57,524	59,698
California Water Fund	—	—	11,400	11,400	11,400
State Transportation—State Highway Account	—	—	11,400	11,440	11,400
Total state funds appropriated to the department	\$45,072,889	\$52,870,310	\$61,131,805	\$72,108,679	\$65,785,222
From special General Fund appropriation—Fair Labor Standards Act	—	—	—	5,554,000	3,808,000
Total state funds	\$45,072,889	\$52,870,310	\$61,131,805	\$77,662,679	\$69,593,222
Federal funds	1,167,526	1,475,410	2,783,738	1,646,228	1,497,528
Other expenditures—reimbursed	11,802,723	14,555,686	17,541,333	19,749,981	21,560,413
Total budget expenditures	\$58,043,138	\$68,901,406	\$81,456,876	\$99,058,888	\$92,651,163
Schedule C funds ^b	3,586,264	4,485,601	5,577,859	6,130,000	6,130,000
Total state-controlled expenditures	\$61,629,402	\$73,387,007	\$87,034,735	\$105,188,888	\$98,781,163

^a Estimated^b Estimated local funds expended for local fire-suppression services as directed by the Division of Forestry.

current and budget years are estimates of increased fire protection costs due to 1974 amendments to the Fair Labor Standards Act. Although the funds are allocated for expenditure by the Department of Conservation, the amounts do not appear in the department's budget.

The Schedule C funds are for local fire protection services and related purchases made by counties or fire districts as directed by a local Division of Forestry fire control officer.

Program Changes

The total appropriation request of \$65,785,222 for next year is \$6,323,457 or 8.8 percent less than estimated expenditures of \$72,108,679 in the current year. The difference is due mostly to the following:

1. Estimated Emergency Fund expenditures in the current year that do not appear in the budget year	\$4,000,000
2. New reimbursements in the budget year to administer the Forest Practice Act	2,018,841
3. One-time current year cost for conversion of S-2 airtankers	961,000
4. Current year allocation for price increase	1,110,241
Total	\$8,090,082

If the budget is placed on the same basis as the current year, there is an increase of \$1,766,625 or 2.5 percent in expenditures.

In proposed expenditures the budget continues the existing level of service. The budget, however, lacks funding of \$2,018,841 to administer the Forest Practice Act. The deficiency is discussed in the analysis of the Watershed and Fire Protection Program on page 394.

The budget narrative states that there is "... an unscheduled reduction of \$1 million in the Fire Protection Program—ground attack." After discussions with the Department of Finance it is doubtful that the department's budget includes the reduction of \$1 million. The current year expenditures include about \$1.1 million special allocation for price increase. Most of that \$1.1 million is not budgeted to the department in 1975-76. However, the Budget Bill, in Item 97, includes funds to be allocated by the Department of Finance for price increases in excess of budgeted projections. Presumably some of that appropriation could be allocated to the Department of Conservation in the budget year.

Departmental Costs Escalating

Table 1 indicates that total state funds expended by the department have increased substantially in recent years. The department expended \$45,072,889 of state funds in 1971-72 and is estimated to expend \$77,662,679 in 1974-75, an increase of \$32,589,790 or 72 percent in a three-year period. The Division of Forestry is responsible for 94 percent of the department's expenditures. Almost all of the division's state responsibility effort is directed toward fire protection services for privately owned wildlands of the state. These fire protection services are becoming increasingly expensive due to:

1. Improved retirement system and substantial salary increases for most

DEPARTMENT OF CONSERVATION—Continued

Division of Forestry employees in recent years.

2. Added air attack costs for S-2 aircraft conversion and operation.
3. Use of helicopters and helitack crews.
4. Increasingly elaborate and expensive firetrucks developed by the division.
5. Improved communications systems.
6. Introduction and expanded use of Ecology Corps.
7. Federally improved working standards under the Fair Labor Standards Act.

Primarily as a result of the effect of the Fair Labor Standards Act amendments on Division of Forestry costs, the Department of Finance Audits Division is conducting a study of the Division of Forestry's fire protection program. The budget narrative states that "Preliminary investigations suggest that there are areas where economies can be expected." We concur. Accordingly, this analysis presents several recommendations for savings in the fire protection program.

Fair Labor Standards Act

The federal Fair Labor Standards Act of 1974 (FLSA) extended minimum wage provisions effective May 1, 1974 and overtime provisions effective January 1, 1975 to certain state employees.

Item 95 appropriates \$6 million from the General Fund for allocation by the Department of Finance to state agencies for increased costs due to FLSA. The same amount was appropriated for 1974-75.

So far in the current year none of the funds has been transferred to the Department of Conservation. However, that department was authorized to expend funds for added fire crew and ecology corps costs to meet federal standards and will require an allocation of funds. The Department of Finance estimates that the Department of Conservation will require a maximum allocation of \$5,554,000 in 1974-75 and an allocation of \$3,808,000 in 1975-76 as presented in Table 2. These amounts are not included in the Governor's Budget totals for the Department of Conservation.

Table 2
Department of Conservation
Estimated Cost Due to Fair Labor Standards Act

	1974-75	1975-76
Overtime requirements, permanent employees	\$504,000	\$1,880,000
Minimum wage requirements:		
Seasonal firefighters	4,152,000	1,028,000
Ecology Corpsmen	898,000	900,000
Totals	\$5,554,000	\$3,808,000

The Departments of Conservation and Finance are now reviewing the manning standards for the fire protection program and final determination has not yet been made as to the methods of implementing the federal standards in the coming fire season.

Several states and cities have joined in a suit to test the constitutionality of the 1974 FLSA amendments, contending that the legislation is a federal preemption of the states' sovereign authority to regulate working condi-

tions of their own employees. If the law is declared unconstitutional, the added state funding for 1975-76 may not be needed.

FLSA affects the department's budget in two principal ways: (1) the wages of seasonal firefighters and ecology corpsmen had to meet the minimum wage of \$1.90 per hour as of May 1, 1974 and (2) certain classes of permanent fire suppression employees must be paid overtime for all work over 240 hours in a 28 day period as of January 1, 1975.

Seasonal Firefighters. Before May 1, 1974 seasonal firefighters received about \$525 per month and had a 120 hour duty week which included eating, sleeping and standby time. Counting sleeping and eating time, seasonal firefighters' wages were about \$1.01 per hour. FLSA required that this class of fire suppression employees receive a minimum wage of \$1.90 per hour and overtime for duty in excess of 60 hours per week. The Division of Forestry cut firefighters' duty week to 60 hours rather than pay overtime and, in order to maintain fire coverage, nearly doubled the number of seasonal firefighters. The cost of this increase was approximately \$4,152,000. In late June, the division received a letter from the U.S. Department of Labor stating that sleeping and eating time need not be counted by the division in calculation of wages at least until 1975, provided that the division and the firefighters so agreed. Reaching such an agreement with approximately 1,500 seasonal firefighters would have created administrative problems. No action was taken, although a change would have been worthwhile because of the large amount of money which might have been saved.

Permanent Employees. The FLSA requires that employees in the classes of fire captain, fire apparatus engineer, fire crew supervisor and heavy fire equipment operator be paid overtime for any work over 240 hours in a 28-day period beginning January 1, 1975. The hours are reduced to 232 in 1976 and to 216 in 1977. These employees currently have an 84 hour duty week during the fire season and a 40 hour workweek during the rest of the year. They receive 15 percent additional salary during the fire season.

In order to avoid overtime pay, the division would have to reduce these employees' hours from 84 to 60. Additional personnel would have to be hired to retain the same level of fire protection coverage. The Department of Finance, in a report published in November 1974, examined alternative methods of meeting the requirements of the new federal law. The report recommended that, rather than hiring additional personnel and reducing duty weeks below 84 hours, the Division of Forestry retain the same number of employees and pay them overtime for work over the 240 hour limit. This would result in a cost increase of about 14 percent. The Department of Finance estimates that the total cost of this increase for 1975-76 would be about \$1,880,000 including the cost of contracted fire protection by the U.S. Forest Service and the five outside counties. We support this recommendation because it is the lowest cost alternative and causes the least disruption to division operations.

DEPARTMENT OF CONSERVATION—Continued**Public Employment Service Program**

The Department of Conservation has received an allocation of 208 exempt positions effective January 1975 under the new federally funded public service employment program. The positions are part of the Employment Development Department sponsorship of the program in 28 counties. No funds will appear in the Department of Conservation budget. The positions include clerks, firefighters, cooks, laborers, mechanics and carpenters. The department may also receive an additional allocation of positions.

WATERSHED AND FIRE PROTECTION

The objective of the Watershed and Fire Protection Program is to protect the private and state-owned watershed lands from fire, insects, disease and misuse by man. Total program expenditures in the budget year are estimated to be \$83,324,510 compared to estimated expenditures in the current year of \$88,309,400.

The program elements and budgeted expenditures in 1975-76 are as follows:

1. Fire protection, state responsibility lands.....	\$56,189,597
2. Fire protection, local government contract	15,940,440
3. Resource management.....	4,846,995
4. Civil defense and other emergencies.....	96,834
5. Open-space subvention and environmental impact.....	161,889
6. Administration	6,088,755

The fire protection state responsibility element is divided into the following components for 1975-76 with expenditures estimated as follows:

Fire control	\$44,994,388
Fire prevention.....	3,727,179
Conservation Camps	5,290,566
Ecology Corps	2,177,464

The fire protection, state responsibility element is budgeted for the largest expenditure of all activities in the Department of Conservation. It includes nearly all of the field organization of the Division of Forestry, which directly protects about 28 million acres of mostly private land.

Reduce Forest Fire Stations

We recommend a reduction of \$110,000 in Item 229 plus an appropriate equipment adjustment to delete funds for operating costs for White Rock and Tyler Creek forest fire stations.

The Division of Forestry has 229 forest fire stations located throughout California to protect state responsibility lands. Most of the stations are manned six to eight months of the year during the fire season. Some of the stations are also manned during the winter to provide local fire protection services under contract to counties or fire districts.

Each year the division publishes statistics on the division's fire control operations. These statistics include acres burned and amount of losses, and show for each forest fire station the number of crew runs and the number of times the crews from the station were the first to arrive at the fire. The

number of crew runs and the man-hours expended on those crew runs gives some indication of the level of activity and accomplishment of the forest fire station during the six to eight months of the fire season. The number of times the crews from a station arrive as first attack on a forest fire also gives some indication of the need for the fire station at the present location. The above data are available on the activities of all 229 stations.

We have studied the reports for the past three years and show in Table 3 data on 8 state-financed stations where there were fewer than 20 crew runs in each of the years 1971, 1972 and 1973. Also listed are the number of times the crews from each station were the first to arrive at the fire and the total man-hours that the station expended on these crew runs during the course of the fire season. The number of crew runs includes runs for forest fires on state lands, U.S. Forest Service fires, local responsibility fires and false alarms, if any.

In our 1967-68 Analysis, we made a similar study of fire stations. That study showed that all of the eight stations in Table 3 except Feather Falls also had fewer than 20 crew runs in 1963, 1964 and 1965. Feather Falls was not a state station in 1965.

Table 3
Forest Fire Stations With Twenty Crew Runs or Less in 1971, 1972 and 1973

Station and County	1971			1972			1973		
	Crew Runs	1st Attack	Man Hours	Crew Runs	1st Attack	Man Hours	Crew Runs	1st Attack	Man Hours
Butte									
Feather Falls	13	7	192	9	4	61	12	4	453
Transfer Point	9	2	304	10	4	140	15	6	491
Calaveras									
Bailey Ridge	9	1	162	14	3	418	9	—	108
Skull Creek	8	—	92	9	2	287	14	9	326
Fresno									
Sand Creek	6	1	146	20	3	206	19	4	1436
Mariposa									
White Rock	9	—	92	14	—	355	16	2	426
Tulare									
Tyler Creek	2	—	52	5	1	195	11	—	141
San Benito									
Antelope	14	3	499	8	2	143	17	4	34

All of the eight stations listed have very light fire suppression activity compared to other stations. The eight stations averaged only 2.6 first attacks per year on fires and only 11 crew runs per year. The division should review all of these stations to determine if there is sufficient need to continue them.

However, the White Rock and Tyler Creek stations have so few first attacks that we recommend funds for them in 1975-76 be deleted. According to the division, the cost of operating each station is about \$55,000 per year, not including equipment costs.

DEPARTMENT OF CONSERVATION—Continued**Reduce Night Coverage**

We recommend a reduction of \$100,000 from Item 229 to delete funds for night coverage of the second firetruck at all two-truck stations in Division of Forestry Region II on a one year experimental basis.

The U.S. Forest Service now operates its fire stations on a 12 hour work day and closes them at night. Night fires in the wildlands occur less frequently and usually burn with less intensity than daylight fires. When night fires do occur, the Forest Service relies on its ability to mobilize manpower quickly to meet them. The Division of Forestry fire protection area is at lower elevations where fuel is more flammable and the division also has an obligation to respond to structural fires. Therefore, the division should not directly copy the U.S. Forest Service manning patterns. However, substantial savings could be realized by reducing the manning of two-truck stations to one truck at night. In view of the rapidly rising costs of division fire control operations, and further increases which may be caused by FLSA, we recommend that manning of two-truck stations in Division of Forestry Region II (North Sierra-Cascade) be reduced to cover only one truck at night (12 hour period) on a one year experimental basis. This reduced manning should eliminate the need for three man months of truck driver positions at each of 43 fire stations for a savings of \$100,000. Also, there would be an unknown savings for firefighter positions, depending on the effect of FLSA on firefighter manning patterns. The reductions can be made without affecting any permanent employees by reducing hiring of seasonal employees.

Reduce Number of Ecology Centers

We recommend a reduction of \$300,000 in Item 229 to capture savings from the conversion of three ecology centers to conservation camps.

The department's budget includes \$7,468,030 to operate 35 facilities in the conservation camp and ecology corps programs. The department receives substantial reimbursements from other agencies for the training of inmates in conservation camps and for work projects performed by inmates, wards and ecology corpsmen. The conservation camps house inmates of the Department of Corrections and wards of the Department of the Youth Authority. The ecology centers house conscientious objectors and regular civilians (freemen).

The budget narrative indicates that three ecology centers will be closed during 1975-76 and converted to conservation camps. However, the budget shows no savings from these conversions. Funding for Department of Corrections to add staff for the three camps has been included in that department's budget for 1975-76. We have estimated the savings to the Division of Forestry from converting a 60-man ecology center to a conservation camp for a full year at about \$100,000 per year or \$300,000 for three camps. The savings is primarily in corpsman salaries. The division should convert additional centers to conservation camps if more inmates become available.

Minor Capital Outlay for Lookouts

We recommend a reduction of \$80,450 in Item 229 to delete minor outlay expenditures at five lookout stations.

In our 1974-75 Analysis, we recommended that the Division of Forestry review the output of its fire lookouts and eliminate unproductive lookout stations. During hearings on the Budget Bill, the division agreed to make such a review. The division's budget for 1975-76 includes \$80,450 in minor capital outlay to construct or improve five lookouts. The division has not yet completed its review and we are, therefore, unable to recommend approval of this request.

Emergency Fund Expenditures

We recommend that the (1) State Forester be required to find that an emergency exists for any fire on which Emergency Fund money will be expended, (2) \$1 million emergency expenditure now authorized by language in Item 229 be removed, and (3) Division of Forestry report to the Legislature by December 1 of each year on its Emergency Fund expenditures in the previous fire season.

The Division of Forestry includes in its support budget most of the financing required for state fire protection services during the course of a fire season. Each year, however, the division makes additional expenditures which are ultimately financed by the state's Emergency Fund. In recent years the amounts have been increasing because of increased use of helicopters, air tankers and air-dropped fire retardant. Costs for contracted fire fighting labor and rented equipment have escalated rapidly. Fire pay for conservation camp inmates, overtime for ecology corpsmen, and limited overtime pay for division employees is also paid from the emergency fund. In 1975-76 additional increases may be caused by provisions of the 1974 amendments to FLSA which limit the conditions under which compensatory time off may be given rather than paid overtime.

Through December 31, 1974, the department has recorded emergency fire suppression expenditures of \$4,039,578 in the current year. Major categories of these expenditures are as follows:

1. Overtime, forestry employees	\$601,616
2. Overtime, ecology corpsmen	\$295,685
3. Retardants for airtankers	\$1,146,014
4. Rental of airtankers	\$455,059
5. Rental of helicopters	\$129,780
6. Rental of bulldozers, buses, chain saws, etc.	\$460,088
7. Subsistence	\$364,262

Authority to use the Emergency Fund is decentralized. The Division of Forestry employee in charge of forces fighting a fire (fire boss) currently makes the decision whether expenditures for suppressing his fire will be charged to the Emergency Fund. He is naturally inclined to use all resources available. Based on his decision all rented equipment, hired labor, conservation camp crews and ecology corpsmen, overtime costs, and air-tanker or helicopter flights beyond the initial attack phase can be charged to the Emergency Fund. Practically anyone in division fire suppression positions from Fire Captain to the State Forester may be a fire boss and

DEPARTMENT OF CONSERVATION—Continued

exercise such authority. This includes over 800 employees.

In addition to expenditures for direct fire suppression, other division costs are sometimes included. In 1973-74, pay increases totaling \$114,000 and FLSA minimum wage requirements of \$180,803 for ecology corpsmen were paid from the Emergency Fund. In the current year the Department of Conservation is requesting the Department of Finance to allocate \$122,991 from the Emergency Fund for increased communications equipment maintenance costs.

In view of rapidly rising Emergency Fund costs, we recommend that the authorization to make these expenditures be moved up the chain of command and limited to the State Forester, the Chief Deputy State Forester or one person designated to function as duty officer in Sacramento by the State Forester or his Chief Deputy. The limitation should be accomplished by appropriate control language added to Item 229.

The State Forester or his authorized deputy should be required to state in writing for each fire for which expenditure of Emergency Fund monies is authorized that (1) there is an emergency which requires the use of resources beyond the level that can be provided by normal division ground attack forces in the area, (2) the fire is beyond normal initial attack response by division aircraft and (3) the fire is beyond the support funding available to the division. This declaration should be made before any charges could be made to the Emergency Fund and would be effective only for a reasonable time period.

The above proposed limiting language may require some changes in the support budget in order to transfer routine expenditures from the Emergency Fund to the support budget where the expenditures properly belong. The adoption of this recommendation would require eliminating the present language in the Budget Bill which permits the division to spend \$1 million of its own appropriation in advance of Department of Finance approval to use the Emergency Fund. This language was added several years ago to make current Emergency Fund expenditures legal.

The Division of Forestry should report to the Legislature by December 1 each year on all Emergency Fund expenditures. In the case of fires, the report should include a breakdown of expenditures, the total number of fires for which such expenditures are authorized and the number of fires in each size category as defined in the division's annual publication "Wild-fire Activity Statistics."

Forest Practice Act Cost Unfunded

The budget includes 85.2 man-years of effort and \$2,018,841 to administer the new Forest Practice Act of 1973. The program is budgeted at the same level as current year expenditures.

The budget narrative indicates that, subject to concurrence by the Board of Forestry, the Forest Practice Act program will be funded by reimbursements beginning in 1975-76 and that the forest products industry should provide the funding. The law mandates the board to require a reasonable filing fee for permits to engage in timber operations. The \$2,018,841 cost of the program is budgeted as a reimbursement from an unspecified source.

Last year, the administration budgeted \$1,748,337 to administer the new Forest Practice Act, an increase of \$1,350,000 over the cost to administer the former Forest Practice Act. The budget as introduced last year funded the increased cost of \$1,350,000 by reimbursements from an unspecified source and indicated the new Board of Forestry would be asked to adopt a fee structure which fairly allocated the cost of the program between the industry and the general public.

The board considered the amount of the fee and, in effect, rejected the administration's request. It did increase fees but only to a level which provides relatively small amounts of revenues compared to program costs. The revenue under the former rate was \$41,000. The board increased the fees to provide estimated annual revenues of \$78,000.

After the action by the Board of Forestry, the Department of Finance requested and the Legislature approved an augmentation to the Budget Bill of \$1,350,000 from the General Fund to finance Forest Practice Act costs in 1974-75. In approving the augmentation, the Legislature added supplemental report language directing the department and the Board of Forestry to reconsider timber operators' permit fees and to raise them to a "reasonable" level as provided in the Forest Practice Act.

In general, we concur with the administration's goal to have the industry finance the cost of the Forest Practice Act with fees placed in the General Fund. However, there are several circumstances which make the goal difficult to achieve at this time. First, the Board of Forestry has already established fees for calendar year 1975 (which includes the first half of fiscal year 1975-76) and the Division of Forestry is now issuing permits based on those fees. The board could establish increased fees to be collected in calendar 1976. Most timber operator permits are renewed in December for use the following year. Therefore, increased revenue could probably be received in 1975-76. However, it is doubtful that increased fees applicable for a six-months period in the budget year could realize sufficient revenue to offset a full year cost. Therefore it is possible that an increase in the appropriation will be needed.

Second, the administration proposal to increase industry cost comes at a time of recession in the timber industry. Substantial increased timber operators' fees could be a significant hardship on some small operators.

Third, full implementation of the Forest Practice Act will be starting this spring. The budgeted cost of the program is somewhat high. With experience the division may be able to enforce the act with less manpower than is now contemplated and thereby reduce costs.

Finally, the revenue derived from the industry to support the program is from timber operator fees which was the source of revenue under the earlier act. However, fees or assessments to defray the cost of the Forest Practice Act should be directed primarily at the owner of the timber that is being harvested and should be based on the volume of timber cut. In some cases the timber owner and timber operator are the same entity. But there are many independent loggers who merely provide a service to a person or company who owns the product and will derive the major income from sale of the harvested timber. However, fees paid by the

DEPARTMENT OF CONSERVATION—Continued

timber owner rather than the timber operator would require legislation.

Wildland Soil and Vegetation Survey

We recommend approval of the department's request for \$254,732 to continue the Cooperative Soil-Vegetation Survey with the direction that the funds be used only to complete compilation and publication of maps for which field work has already been completed and that the program be terminated when these maps have been published.

The Cooperative Soil-Vegetation Survey is contained in the resource management program element and is concerned primarily with mapping soil composition and vegetative cover of 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 maps are printed and sold by the U.S. Forest Service at a price adequate to recover its printing costs. The maps show soil characteristics and vegetation types and are useful to land managers.

In our 1974-75 Analysis, we pointed out the increasing costs of the program and its declining output. The Conference Committee on the 1974 Budget Bill recommended that the department make a complete review of the program prior to the preparation of the 1975-76 budget. The Division of Forestry has responded in a report titled "A Review of the Soil-Vegetation Survey" dated December 1974. The report recommends that the survey be extended to cover an additional 19 million acres at a cost of about \$10 million over the next ten years.

According to the division's report, the area planned for the survey was established in 1947 at 28.8 million acres, which was the area for which the division provided direct fire protection. The original purpose of the survey was to classify lands for timber and livestock uses. The lands to be surveyed were designated either "first priority" or "second priority" for the survey based on their potential for timber production. In 1947 11.1 million acres were designated first priority.

At present, about 9.6 million acres of the 11.1 million acres of first priority lands have been surveyed by the division and maps published for about 7.5 million acres. The remaining 1.5 million acres of first priority lands have been surveyed, or are planned for survey, by the U.S. Soil Conservation Service. Thus little remains to be done for the first priority lands except the map compilation.

The division's 1974 report declares that the original priority classification system based on timber productivity is now obsolete. It stresses new information needed for environmental impact reports, land use planning, and for implementation of the new Forest Practice Act. However, the report does not establish new priorities based on these new needs. In addition, there is no explanation why the survey should cover 28.8 million acres. This figure is the area of the division's responsibility for fire protection, not the area with environmental information needs cited to justify continuing the survey.

Of the 19 million acres which are proposed for the expanded survey, 17 million will be surveyed for soils information by the U.S. Soil Conservation Service within the next ten years. The Soil Conservation Service surveys only the soil, but soil information is the most valuable information being collected because soil characteristics do not change over time like vegetation types. Vegetation information can also be obtained by visual inspection, while soil analysis generally requires laboratory work. Thus, the most valuable information for public use will be provided without the need for additional state expenditures.

The Division of Forestry has had little direct control of the mapping effort and has acted primarily as a funding agency. Mapping has sometimes been delayed by internal policy decisions of the U.S. Forest Service. A large portion of the estimated \$10 million required to complete the survey would go to the Forest Service. In the first year it would receive 70 percent of budgeted funds, according to the report.

In summary, the soil-vegetation survey should be continued only for the purpose of compiling and publishing maps where field work has been completed. This is because:

- (1) No adequate justification of the scope of the survey has been given and no priorities have been established.

- (2) Soil surveys will be made by the U.S. Soil Conservation Service on 17 of the 19 million acres proposed for the continued survey within the next ten years and this is the most valuable information.

Thus, there is no need for additional state supported field work.

GEOLOGIC HAZARDS AND MINERAL RESOURCES CONSERVATION

The objective of the geologic hazards and mineral resources conservation program is to identify and delineate geologic hazards through geologic investigations and to identify and assist in the use of mineral resources. The program is performed by the Division of Mines and Geology, which has 109 authorized positions.

Total expenditures in the budget year are estimated to be \$3,178,340 compared to estimated current-year expenditures of \$3,014,323.

Strong-Motion Instrumentation Program Lacks Plan

We recommend approval of the division's request for \$514,902 for the strong motion instrumentation program with the requirement that the division report to the Legislature by December 1, 1975 on its overall plan for the program including the number of instruments needed, approximate location, installation dates, and priorities.

Chapter 1152, Statutes of 1971, established a strong-motion instrumentation program to be organized and monitored by the Division of Mines and Geology. The strong-motion instrument measures the large-scale, destructive ground motion in an earthquake. Through the use of the instrument it is possible to correlate earth movements with evaluations of damage to structures. By this process, building codes can be improved, safer structures designed which will withstand damage and the users of the structures provided maximum safety.

The division purchases, maintains and installs strong-motion instru-

DEPARTMENT OF CONSERVATION—Continued

ments as needed in representative geologic environments and structures throughout the state. Financing is from the Strong-Motion Instrumentation Program Fund. The fund receives revenues from a fee of 7 cents per \$1,000 of construction cost, which is collected through construction permits issued by local government.

Item 235 appropriates \$514,902 to finance the program in 1975-76. Revenues are estimated at only \$467,000 for the budget year, but the fund had a surplus of \$321,394 as of June 30, 1974.

About 170 strong motion instruments have been installed to date. The budget estimates that 102 strong motion instruments will be installed in 1975-76 compared to 113 in 1974-75 and 150 in 1973-74. The division has no overall plan for the location of the instruments. New sites are chosen periodically by an advisory board whose members are appointed by the State Geologist. The division's estimate of a total of about 1,800 instruments to be installed in the program is based on the point at which annual maintenance costs for the instruments will equal fund revenue. This is not an adequate planning criterion. The division should develop a plan for the program including instrument locations and installation priorities.

Fault Mapping Program Open-Ended

We recommend approval of the division's request for \$94,167 for the special study zones fault mapping program with the requirement that the division report to the Legislature by December 1, 1975 on its plan for the program, including funding levels, fault traces to be mapped, priorities and completion dates.

Chapter 1354, Statutes of 1972, requires the State Geologist to delineate and map special study zones to encompass as a minimum the traces of the San Andreas, Calaveras, Hayward and San Jacinto Faults and such other faults he may deem a hazard to structures. The purpose of the work is to provide data for cities and counties to establish zoning and building regulations for these geologically hazardous areas. The law provided that state and local costs be financed by a fee established by the State Mining and Geology Board and levied by local government against each applicant for a building permit within a special study zone. The board set a fee of \$1 per \$1,000 of construction cost, to go into effect July 1, 1974. One-half of this fee went to local government for administration costs, and the other half to the division.

Chapter 1341, Statutes of 1974, gave local government the authority to set the fee and receive all revenue. Thus the General Fund must now support without reimbursement all state costs of the program. Work on the four faults mentioned above has now been completed, and the special study zones are now being extended to other areas. Like the strong-motion instrumentation program, this program lacks a plan defining its scope and priorities.

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. The revenues are

placed in the Petroleum and Gas Fund and the Subsidence Abatement Fund. Budget-year expenditures are estimated to be \$2,340,313 compared to \$2,181,165 in the current year.

The division supervises the drilling, operation, maintenance and abandonment of oil, gas and geothermal wells throughout the state and the repressuring operations for the abatement of land subsistence in the Wilmington area. The division has 99 authorized positions.

Computerized Oil Well Information System

The department requests an increase of \$65,000 to begin a computerized record keeping system for oil well production information. These data are presently compiled and processed by hand. The division estimates a \$36,000 annual cost in 1976-77 and subsequent years for operation of the system.

Resources Agency STATE LANDS DIVISION

Item 237 from the General
Fund

Budget p. 549

Requested 1975-76	\$2,920,974
Estimated 1974-75	2,831,445
Actual 1973-74	2,324,755
Requested increase \$89,529 (3.2 percent)	
Total recommended reduction	None

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

*Analysis
page*

1. Clarify Statutes. Recommend the Legislature simplify tide-lands revenue statutes by combining sections covering disposition of tidelands revenue. 401

GENERAL PROGRAM STATEMENT

The State Lands Division in the Department of Conservation provides staff support directly to the independent State Lands Commission. The commission is composed of the Lieutenant Governor, the State Controller, and the Director of Finance.

The commission is responsible for the management of state school lands, tide and submerged land, swamp and overflow land and the beds of navigable rivers. It administers tidelands trusts granted by the Legislature. The commission is authorized to sell state school land and to provide for the extraction of minerals and oil and gas from state lands. It also conducts a program to locate the boundaries of tide and submerged lands owned by the state and to maintain records showing the location of state-owned land.

The division is headquartered in Sacramento with an office in Long Beach. It has approximately 200 employees.

STATE LANDS DIVISION—Continued

ANALYSIS AND RECOMMENDATIONS

The Governor's Budget proposes total expenditures of \$4,327,156 for the support of the State Lands Division in 1975-76, which is an increase of \$125,930 from the current year. The expenditures are financed by a General Fund appropriation of \$2,920,974, by reimbursements of \$1,380,682 from Long Beach Tidelands oil revenue and by miscellaneous reimbursements of \$25,500. The General Fund appropriation is an increase of \$89,529 over the current year. The budget continues the existing level of service.

Land Management

The proposed funding for the elements of the land management program is shown in Table 1.

Table 1
Land Management Program Expenditures, 1975-76

Extractive development:	
State leases	\$1,115,753
Long Beach operations	1,380,682
Other land transactions	1,830,721
Total	\$4,327,156

The extractive development (state leases) element is made up of leasing and development activities of state-owned oil and gas, geothermal and mineral resources. The Long Beach operations unit reviews the economics of Long Beach oil and gas development and production operations to maximize state revenue. This division activity is funded as a reimbursement from Long Beach oil revenue.

The other land transaction element includes ownership determination, nonextractive leasing and the inventory and general management of state lands.

Estimated Commission Revenues

The Governor's Budget estimates total state revenues from State Lands Commission sources at \$125,299,000 in 1974-75 and \$111,466,000 in 1975-76. Most of the revenue is derived from the sale of oil. The estimates are based on the present ceiling price of \$4.21 per barrel for nonexempt oil. The revenue estimates are probably minimum figures but any other estimates would be tenuous under present conditions. To give some indication of the magnitude of revenues from oil sales, the division estimates that state revenue would be \$1 million per day from a price of \$9 per barrel or an *increase* of about \$250 million per year over budgeted revenue.

In February 1974, the Federal Energy Office issued an order placing the price for state oil under federal price ceilings. The state brought suit against the federal government but the U.S. Supreme Court has sustained the federal action.

The legal basis for the federal oil price ceiling is the Emergency Petroleum Allocation Act of 1973 (PL 93-159) which remains in effect until February 1975. The amount of revenue the state will derive from oil sales

in the budget year depends substantially on future congressional action and administrative policy concerning the extension of oil price controls.

Another variable in forecasting revenues is the view of the Joint Committee on Public Domain that the practices of the oil companies in exchanging oil depresses the posted price for oil and thereby reduces state revenues unduly. Future state action based on this view could affect oil revenues. Although crude oil prices may increase, it is possible that a substantial portion of any state revenue increase may be removed by federal excise or surplus profits taxes.

Budget Revises Revenue Distribution

Section 6217 of the Public Resources Code provides for the allocation of state tidelands oil and gas revenue in priority as follows:

1. To the General Fund for specified purposes estimated to be \$3,302,000 in the budget year.
2. California Water Fund, \$25 million.
3. Central Valley Water Project Construction Fund, \$5 million.
4. Resources Agency, Sea Grant Matching Program, \$500,000.
5. Capital Outlay Fund for Public Higher Education (COFPHE), the balance of revenue estimated to be \$77,664,000 in the budget year.

The Governor's Budget indicates that revenue which would accrue to the COFPHE Fund (\$77,664,000) is proposed to be placed in the General Fund in the budget year. The change would be accomplished by Budget Bill Control Section 12.2.

Revenue Statutes Need Clarification

We recommend that the Legislature amend tidelands revenue statutes by combining the revenue distribution provisions of Chapter 138, Statutes of 1964, with Section 6217 of the Public Resources Code.

The statutory basis for the deposit and allocation of Long Beach tidelands oil and gas revenue appears in Chapter 138, Statutes of 1964, and for other revenues in Section 6217 of the Public Resources Code. The provisions of Chapter 138 pertaining to state revenue should be codified and combined with Section 6217 to eliminate needless complexity and confusion in adding provisions for the disposition of tidelands revenue.

For example, Item 383.5 of the 1974 Budget Act intended to transfer tidelands revenue of \$28,670,000 to the Bagley Conservation Fund. However, because of complexities of present law and deficiencies in drafting Item 383.5, the provisions of Chapter 138 have prevented the transfer of funds in a timely fashion. Control Section 12.1 in the 1975 Budget Bill is proposed by the Administration to transfer \$20,237,000 to the Bagley Conservation Fund on June 30, 1975 to compensate for the deficiency in drafting Item 383.5. Simplification of the basic statutes would prevent similar problems in the future.

Report on State-Owned Oil Resources

In response to the request of the Legislature last year, the State Lands Division is preparing a comprehensive report on the state's offshore oil resource. The report will include information on the general location and approximate amounts of the oil and gas resource, the economics of its

Land Management—Continued

availability, environmental problems, federal development and sanctuary restrictions. After there has been an opportunity to consider the information in the report and in the report of the Joint Committee on Public Domain, it may be appropriate for the Legislature to specify a course of action concerning offshore oil resources for the division to follow.

SEISMIC SAFETY COMMISSION

Item 238 from the General

Fund

Budget p. 553

Requested 1975-76	\$170,000
Estimated 1974-75 (Half Year)	85,000 ^a
Requested increase \$85,000	
Total recommended reduction	Pending

^a Appropriation for last six months of 1974-75.**GENERAL PROGRAM STATEMENT**

Chapter 1413, Statutes of 1974, created the Seismic Safety Commission, a part-time board of 15 members appointed by the Governor. The commission will have a wide range of responsibilities in earthquake hazard reduction including setting goals and priorities, reviewing reconstruction efforts after earthquakes, gathering and disseminating information, encouraging research, and helping to coordinate seismic safety activities at all levels of government. The law terminates on the 61st day after the final adjournment of the 1975-76 legislative session.

The existing Strong-Motion Instrumentation Board, established to coordinate installation of ground accelerometers, and the existing Building Safety Board, concerned with the seismic safety of hospitals, will report annually to the new commission. The commission must hire an executive secretary, who may hire additional staff. At the time of this writing, the Governor has not appointed the commission members.

ANALYSIS AND RECOMMENDATIONS*We defer recommendation.*

Chapter 1413 appropriated \$85,000 for support of the commission during the last six months of 1974-75. The \$170,000 request would continue this level of funding through 1975-76. The commission has not yet been organized and the budget therefore contains no program for the \$170,000. During committee hearings on the bill, we expressed reservations about the formation of the new commission because of apparent overlapping responsibilities between it and the Mining and Geology Board in the Division of Mines and Geology of the Department of Conservation.

The Public Resources Code specifies that the Mining and Geology Board shall represent the state's interest in the development, collation and dissemination of geological information necessary to the understanding and utilization of the state's terrain, and information pertaining to earth-

quake and other geological hazards. This language is similar to the commission's task of "gathering, analyzing and disseminating information" in connection with earthquake hazard reduction. The Division of Mines and Geology is also presently involved in similar information activities and is conducting fault mapping and seismographic and cooperative studies with cities and counties on geologic hazards.

We defer recommendation on this item until a program is submitted by the new commission and the extent of any duplicating activity is determined.

Resources Agency

DEPARTMENT OF FISH AND GAME

Item 239 from the Fish and
Game Preservation Fund

Budget p. 554

Requested 1975-76	\$26,772,423
Estimated 1974-75	23,212,256
Actual 1973-74	22,114,232
Requested increase \$3,560,167 (15.3 percent)	
Total recommended reduction	\$905,518

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

Analysis
page

1. *Reduce Expenditure Level. Reduce Item 239 by \$905,518.* 407
Recommend reducing program level in 1975-76 to provide minimal surplus to meet increased costs in 1976-77.

GENERAL PROGRAM STATEMENT

For 1975-76 the Department of Fish and Game requests support appropriations as follows:

1. Item 239, Fish and Game Preservation Fund	\$26,772,423
2. Item 241, Fish and Game Preservation Fund, Duck Stamp Account	274,500
3. Item 242, Fish and Game Preservation Fund, Training Account	199,800
Total	\$27,246,723

The Department of Fish and Game administers programs and enforces laws pertaining to the fish and wildlife resources of the state.

The State Constitution (Article 4, Section 20) establishes the Fish and Game Commission of five members appointed by the Governor. The commission sets policies to guide the department in its activities and regulates the taking of fish and game under delegation of legislative authority pursuant to the Constitution. In general, the Legislature has granted authority to the commission to regulate the sport taking of fish and game and has reserved for itself the authority to regulate commercial taking of fish and game.

The department is headquartered in Sacramento and has approximately