

reductions. As a result, we recommend representatives of SOIT and the Office of Procurement in the Department of General Services discuss at the budget hearings the issues raised by the procurement and any actions they believe are appropriate to resolve the current situation and prevent a similar occurrence in the future.

Resources Agency SPECIAL RESOURCES PROGRAM

Item 311 from the General
Fund

Budget p. R 1

Requested 1981-82	\$834,007
Estimated 1980-81	819,857
Actual 1979-80	674,007
Requested increase (excluding amount for salary increases) \$14,150 (+1.7 percent)	
Total recommended reduction	Pending

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

*Analysis
page*

1. Federal Designation. Defer recommendation pending federal action on the Governor's petition to add five California rivers to the national wild and scenic rivers system. Recommend that the Secretary of Resources report to the Legislature at the time of budget hearings on the fiscal and program impacts of federal action on the petition.

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This item requests \$834,007 from the General Fund for support of two programs: (1) \$334,007 for Waterways Management Planning and (2) \$500,000 for state support of Sea Grant projects. The programs are discussed separately below:

WATERWAYS MANAGEMENT PLANNING

GENERAL PROGRAM STATEMENT

The California Protected Waterways Act of 1968 established state policies to protect certain waterways possessing extraordinary scenic, fishery, wildlife, or recreational values. Subsequently, Chapter 761, Statutes of 1971, directed the Resources Agency to develop detailed management plans for portions of 20 specified waterways on the North Coast.

The California Wild and Scenic Rivers Act of 1972 (Chapter 1259, Statutes of 1972) declared further legislative intent that five streams and certain of their tributaries be preserved in essentially their natural state. The act covered the Klamath, Trinity, Smith, Eel, Lower and North Fork American Rivers. With limited exceptions, construction of dams, reservoirs or water development projects on these rivers is prohibited. In addition, the 1972 Act directed the Resources Secretary to (1) classify these rivers or segments as "wild", "scenic", or "recreational"; (2) prepare and submit management plans covering these rivers to the Legislature for approval; (3) administer these rivers so as to protect scenic, recreational, fishery and wildlife values without unreasonably limiting compatible timber harvesting, grazing and other uses.

In 1975, the Resources Secretary delegated the responsibility for administering the program and preparing waterways management plans to the Department of Fish and Game.

SPECIAL RESOURCES PROGRAM—Continued**ANALYSIS AND RECOMMENDATIONS**

The budget proposes an appropriation of \$334,007 from the General Fund for Waterways Management planning, which is \$14,150, or 4.4 percent, more than estimated current year expenditures. Most of the increase (\$10,000) is proposed to finance contracts for planning work and data gathering, and bring the amount budgeted for contractual services to \$174,135. The proposed use of these funds is shown in Table 1.

Table 1
Waterways Management Planning
Consultant and Professional Services
1981-82

<i>Project</i>	<i>Amount</i>
South Fork Trinity River—Phase II	\$70,000
Middle Fork Eel River—Phase I	50,000
U.S. Geological Survey—Water Quality Monitoring.....	25,000
South Fork Eel—Preliminary Data Gathering.....	10,000
Contracts with Humboldt, Mendocino, and Trinity Counties	10,000
Unspecified activities	9,135
Total	<u>\$174,135</u>

During the current year, final management plans for the Salmon and Scott Rivers were completed and transmitted to the Governor. The plans have not yet been submitted to the Legislature for approval. Preparation of a final plan for the Smith River was delayed by court order to provide Del Norte County additional time for reviewing and preparing comments on the draft plan. Presumably, a final plan for this river will be completed and transmitted to the Governor and Legislature during the current fiscal year.

Proposal for Federal Designation

We defer recommendation on the proposed budget pending action by the federal government on the Governor's petition to include five California rivers in the national wild and scenic rivers system. Instead, we recommend that the Secretary of Resources report at the time of budget hearings on the changes (if any) that will be made in the state's administration of affected rivers and the preparation of future management plans as a result of the federal government's action on the petition.

On July 18, 1980, the Governor submitted a petition to the Secretary of Interior requesting that the following state-designated wild and scenic rivers be included in the national system pursuant to Section 2(a) (ii) of the Federal Wild and Scenic Rivers Act (Public Law 90-542, as amended): portions of the Klamath, Trinity, and Eel River systems; the Smith River and all its tributaries, and a segment of the Lower American River. At the time this analysis was prepared, the U.S. Department of the Interior (Heritage Conservation and Recreation Service) had completed preparation of a final environmental impact statement covering the Governor's petition. However, the Secretary of Interior has made no decision as to which of the rivers, if any, would be added to the federal system.

If the Secretary of Interior designates these rivers as part of the federal system, it would:

- Prohibit federal construction of, assistance to, or licensing of water resource projects that would adversely affect the values for which designated river segments are included in the national system;

- Prohibit new mining claims on federal lands within a quarter mile of designated segments classified as wild;
- Require federal land-managing agencies to reassess management policies, plans, regulations, and contracts on lands next to designated river segments, for conformance with the protection purposes of the national act; and
- Commit the state to continue administering designated river segments in a manner that will assure long-term protection of nonfederal lands.

In a December 1980 report submitted to the federal government in support of the Governor's petition (California Resources Agency, *Administration of Those Rivers Included in the State's Request for National Wild and Scenic Rivers Designation*), the Secretary of Resources indicated that (1) the Resources Agency will have lead planning and coordination responsibilities under federal designation, and (2) an interagency coordinating committee for wild and scenic rivers will be created, with the management of all key affected departments represented. The report also indicated that an assistant secretary position will head the committee and have lead staff responsibility for coordinating the state's wild and scenic rivers program. No position within the Resources Agency is currently assigned such duties.

Federal designation of the five rivers could also have implications for the role of local government in management of nonfederal lands along these rivers. If the Governor's petition is approved, the report indicates that the Resources Agency will seek local-state cooperative agreements affecting the designated river segments. The Resources Agency has stated that these agreements would include the following:

1. Options for conducting detailed management planning for privately-owned land along the rivers.
2. Specific objectives for system protection by local and private interests.
3. A schedule for completing management plans.
4. Provisions for monitoring implementation of the management plan.
5. Consultation procedures to assure that state-owned and privately-owned lands are administered in a compatible manner.
6. Procedures for exchanging data and information.

The federal requirements and proposed state activities or agreements could have a profound impact on the work currently financed through the Waterways Management Planning Program. The Governor's Budget, however, does not indicate how administration of the state river system or management planning would be conducted, if the Governor's petition is approved. For instance, it is not clear whether any of the \$334,007 appropriated for Waterways Management Planning would be utilized to support the new assistant secretary position within the Resources Agency or the activities of the new interagency coordinating council. If federal designation is *not approved*, it is also not clear whether preparation of additional waterway management plans would be continued in the budget year. To date, none of the plans previously completed and submitted have been approved by the Legislature, nor have any funds been appropriated for implementation of such plans. Furthermore, at the time this analysis was prepared, none of the contract funds budgeted for planning work during the current year had been encumbered.

Consequently, we have no basis for recommending legislative action on the proposed budget for the program. Instead, we recommend that the Resources Secretary report at the time of budget hearings on (1) the budgetary and program impacts of federal action on the Governor's petition and (2) how the future of Waterways Management Planning will be affected by the federal government's action.

SPECIAL RESOURCES PROGRAM—Continued**Clarifying Legislation**

The Supplemental Report of the 1980 Budget Act directed the Resources Secretary to seek legislation clarifying certain provisions of the Wild and Scenic Rivers Act. Included were recommendations that the Resources Secretary propose: (1) specific statutory definitions of the land area protected by the act and to be addressed in the management planning process, (2) which segments and tributaries of the Smith River are contained in the state wild and scenic rivers system, and (3) a timetable for submitting completed management plans to the Legislature. At the time this analysis was prepared, the Resources Secretary had not yet submitted any specific legislative proposals in response to the reports directive.

SEA GRANT PROGRAM**GENERAL PROGRAM STATEMENT**

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

Chapter 1115, Statutes of 1973, allocated \$500,000 annually for fiscal years 1974-75 through 1978-79 from state tidelands oil and gas revenues to the Resources Agency for distribution to higher education institutions. Chapter 1255, Statutes of 1978, continues the \$500,000 annual allocation from 1979-80 through 1983-84. The state funds are used to finance the one-third match required by the federal government for sea grant projects.

The Resources Secretary approves the Sea Grant projects which are financed by this appropriation. The projects are selected by an advisory panel of representatives from state departments, higher education and private industry. The projects selected for state support must have a clearly defined benefit to the people of California. Participants in the program include the University of California, the California State University and Colleges, Stanford University, the University of Southern California and the California Institute of Technology.

ANALYSIS AND RECOMMENDATIONS*We recommend approval.*

The budget proposes \$500,000 from the General Fund for the second year of state funding for the Sea Grant program as authorized by Chapter 1255. Specific projects have not been determined. As in past years, approved projects are likely to be in one of the following categories:

- Coastal Zone Resources
- Coastal and Marine Recreation
- Living Marine Resources
- Energy Resources
- Marine Mineral Resources
- Waste management
- Aquaculture
- Fisheries
- Trainees

Resources Agency
CALIFORNIA TAHOE REGIONAL PLANNING AGENCY

Item 315 from the General
Fund

Budget p. R 3

Requested 1981-82.....	\$488,245
Estimated 1980-81	415,650
Actual 1979-80	330,100
Requested increase (excluding amount for salary increases) \$72,595 (+ 17.5 percent)	
Total recommended reduction	Pending

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

*Analysis
page*

1. Unallocated Budget Reduction. Withhold recommendation on CTRPA budget pending clarification of \$40,000 unallocated reduction proposed by the Administration in the "A" pages of the budget document.

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GENERAL PROGRAM STATEMENT

The California Tahoe Regional Planning Agency (CTRPA) was established pursuant to Chapter 1589, Statutes of 1967, to provide for land use planning and environmental controls covering the California side of the Tahoe Basin. The agency supplements the activities of the Tahoe Regional Planning Agency (TRPA), which was established established through a bistate compact with Nevada to preserve and enhance the environment of the Tahoe Basin. Recently enacted amendments to this compact were approved by the U.S. Congress and signed by the President on December 9, 1980. These include provisions which will deactivate CTRPA when TRPA adopts and implements a revised regional plan for the basin.

ANALYSIS AND RECOMMENDATIONS

The budget proposes an appropriation of \$488,245 from the General Fund for support of the California Tahoe Regional Planning Agency in 1981-82. This is \$72,595, or 17 percent, more than the estimated current year expenditure. Most of the increase (\$54,000) will cover the increased cost of legal services provided by the Attorney General. The hourly charge for these services will increase from \$45.60 in 1980-81 to \$49.25 per hour in 1981-82. The balance of the increase will cover additional costs for merit salary adjustments, staff benefits, and operating expenses.

New Budget Format

Pursuant to a recommendation contained in the Supplemental Report of the 1980 Budget Act, CTRPA's budget for the first time has been presented in a format which identifies (1) line item detail for personal services, operating expenses, and contracts, and (2) other sources of funding. The new budget format shows that CTRPA is receiving \$190,680 from the California Department of Transportation during the current year to finance transportation planning work. For the budget year, this amount is shown at \$264,834, and increase of 39 percent.

CALIFORNIA TAHOE REGIONAL PLANNING AGENCY—Continued**Unallocated Budget Reduction**

We withhold recommendation on the agency's funding request pending clarification of \$40,000 reduction in personal services and operating expenses proposed by the Administration in the "A" pages of the budget document.

As part of an overall reduction of 630 personnel-years and \$146 million (General Fund), the administration has proposed to decrease CTRPA's 1981-82 budget request by \$40,000. The "A" pages of the budget document indicate that the agency will reduce staffing for land-use permit processing and defer a planned move into new offices. However, no information has been provided identifying (1) how many or which CTRPA staff positions would be eliminated, or (2) anticipated reductions in workload for review of land-use permits. Consequently, the impact of the budget reduction cannot be properly evaluated.

Modifications in the Bistate Compact

Our analysis indicates that the recent modifications in the bistate Tahoe Regional Planning Compact warrant some reductions in CTRPA's support budget. Legislation which gave California's approval to these compact changes (Chapter 872, Statutes of 1980) became effective January 1, 1981. This legislation provides for eventual deactivation of CTRPA, contingent on adoption and implementation of a new regional plan for the Tahoe Basin by the bistate TRPA.

The revised compact requires TRPA to adopt a new regional plan by July 1983. For this reason, CTRPA's planning activities should be discontinued during the current and budget years. Instead, CTRPA should (1) concentrate on enforcing its existing regional plan and land-use ordinances, and (2) provide technical assistance to the newly reconstituted bistate agency in developing TRPA's new regional plan for the entire basin. Pending receipt of information concerning the impact of the proposed \$40,000 budget reduction, and clarification of the future role of CTRPA, we withhold recommendation on the agency's General Fund budget request.

Tahoe Regional Planning Agency Funding

As noted above, the State of California and Nevada, recently approved legislation which extensively modifies the Tahoe Regional Planning Compact. These changes:

- Increase the TRPA governing board to 15 members, consisting of four representatives from each state and three members from local governments in both California and Nevada.
- Revise governing board voting procedures for reviewing development projects, and for adopting environmental standards, plans, ordinances, rules, regulations and variances.
- Prohibit construction of new casinos and limit expansion of existing casinos.
- Require adoption of a new regional plan within two and one-half years, based on development of environmental standards.
- Establish a limited moratorium on development, construction of new highways, and expansion of sewer treatment plants during the two and one-half year period in which a revised regional plan is being developed.
- Create a Tahoe Transportation District to own and operate a public transportation system in the basin.

Prior to 1979-80, California supported the TRPA through a General Fund appropriation. This appropriation provided (1) \$100,000 during fiscal 1976-77 and (2) \$75,000 per year during 1977-78 and 1978-79. TRPA used these funds to support a

large professional staff involved in land-use and transportation planning and development review. Following fiscal year 1978-79, state funding for TRPA was withdrawn. As a result, (1) TRPA staffing was significantly reduced, (2) planning work was discontinued, and (3) activities have been limited to reviewing major development projects and requests for zoning variances.

Although no funding is provided in the Governor's Budget for support of the revised TRPA during 1981-82, the Resources Agency advises that an amount will be requested for this purpose through a budget revision. TRPA has proposed a budget for 1981-82 totaling \$728,985, which assumes California will provide \$300,000.

In order to meet the mandates and time schedule specified by the newly revised compact, TRPA will require a major increase in staff and will have to develop a comprehensive work plan by the summer of 1981. In determining the appropriate level of state funding for TRPA during the budget year, the Legislature should consider directing CTRPA to provide technical planning assistance to TRPA in the development of (1) environmental threshold carrying capacities, and (2) the new regional plan. During the period in which TRPA's budget and staff have diminished, CTRPA staff has increased. If TRPA can utilize (1) the technical expertise acquired by CTRPA in recent years, and (2) the results of recently completed CTRPA planning and data gathering activities, duplicative work can be avoided and costs for support of the bistate agency can be minimized.

Resources Agency
CALIFORNIA CONSERVATION CORPS

Item 334 from the General
Fund

Budget p. R 16

Requested 1981-82	\$27,616,604
Estimated 1980-81	22,493,384
Actual 1979-80	14,396,934
Requested increase (excluding amount for salary increases) \$5,123,220 (+ 22.8 percent)	
Total recommended reduction	\$1,946,238
Total recommendation pending	\$530,796

1981-82 FUNDING BY ITEM AND SOURCE

Item	Description	Fund	Amount
334-001-001—Support		General	\$26,611,850
334-001-019—Solar Energy and Conservation Program		State Energy Resources Con- servation and Development Special Account, General	1,004,754
Total			\$27,616,604

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

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| | <i>Analysis
page</i> |
| 1. Special Corpsmembers. Recommend Budget Bill language prohibiting use of funds budgeted for regular corpsmembers to hire special corpsmembers. | 446 |
| 2. Training Academy Staffing. Reduce Item 334-001-001 by \$134,259 | 450 |

CALIFORNIA CONSERVATION CORPS—Continued

- and reimbursements to that item by \$5,616.* Recommend deletion of 4.5 new positions for the training academy.
3. *Headquarters Staffing. Reduce Item 334-001-001 by \$159,927.* 451
Recommend deletion of new positions for program evaluation and temporary help at Sacramento headquarters. Recommend that 7 new positions for personnel services and fiscal management be limited to one year only.
 4. *Solar and Energy Conservation Program. Reduce Item 334-001-019 by \$520,000 and reimbursements scheduled in Item 334-001-001 by \$90,000.* 453
Recommend that corpsmember support for the solar and energy conservation program be provided from within existing corpsmember strength.
 5. *Energy Consumption.* 453
Defer recommendation on \$530,796 in Item 334-001-001 proposed for cost of utilities. Recommend that CCC report to the fiscal committees at budget hearings on actual energy consumption in 1979–80 and estimated energy consumption in 1980–81 and 1981–82.
 6. *Stream Clearance.* 454
Withhold recommendation on \$976,879 in proposed reimbursements from the Department of Fish and Game, pending clarification of the department's \$2,997,000 proposal for stream clearance.
 7. *Base Center Expansion. Reduce Item 334-001-001 by \$1,132,052.* 455
Recommend deletion of General Fund support for 2 new nonresidential base centers.

GENERAL PROGRAM STATEMENT

The California Conservation Corps (CCC) was established by Chapter 342, Statutes of 1976, and reauthorized by Chapter 50, Statutes of 1980. The CCC is headed by a director and a chief deputy director who occupy exempt statutory positions. The Corps' headquarters is in Sacramento, and it operates a corpsmember training academy at Murphy's Calaveras County, 21 residential (live-in) base centers and two nonresidential (urban) base centers.

Eight of the twenty-three base centers are operated jointly with the Department of Forestry to provide a capability for emergency fire fighting and natural disaster relief. A separate Resource Protection Trainee program provides the Department of Forestry with an additional 240 corpsmembers for emergency fire fighting and fuel management/vegetation control purposes. The current year budget provides funding for 1,780 corpsmembers (60 at each base center, 160 at the academy and 240 in the resources protection trainee program) plus 376 authorized staff positions.

Membership in the CCC is available to California residents aged 16 through 23. A corpsmember's salary is based on the federal minimum wage which is \$3.35 per hour (\$581 per month) in 1981. Each corpsmember is charged \$135 per month for meals and lodging. This amount will increase to \$145 per month effective January 1982. The net, or spendable income of corpsmembers is approximately \$5,350 per year.

ANALYSIS AND RECOMMENDATIONS

The Governor's Budget proposes state appropriations of \$27,616,604 for support of the California Conservation Corps in 1981–82. This is an increase of \$5,123,220, or 22.8 percent, above estimated current year expenditures. This amount will increase by the amount of any salary or benefit increases which may be approved for the budget year.

Total program expenditures, including expenditures from reimbursements, are projected at \$38,907,654, an increase of \$5,498,828, or 16.5 percent, above estimated total expenditures in the current year. Table 1 summarizes the major components of the increase proposed for the budget year.

Table 1
California Conservation Corps
Proposed Budget Adjustments

	<i>General Fund</i>	<i>Special^a funds</i>	<i>Reimbursements</i>	<i>Total</i>
1980-81 Base Budget (Revised)	\$22,139,503	\$353,881	\$10,915,442	\$33,408,826 ^b
1. Workload and Administrative Adjustments				
a. Stream clearance (1980-81)	—	—	—876,887	—876,887
b. 1980-81 academy moving costs	—180,000	—	—	—180,000
c. Full year cost of 1980-81 corpsmember salaries increase	485,026	—	—	485,026
d. Merit salary adjustments and price increases	508,029	4,759	—	512,788
2. Significant Program Changes				
a. Special repairs	188,500	—	—	188,500
b. EDP	193,057	—	—	193,057
c. Center staffing	64,978	—	—	64,978
d. Headquarters staffing	425,249	—	—	425,249
e. Academy staffing	134,259	—	5,616	139,875
f. Stream clearance	—	—	976,879	976,879
g. Solar & energy conservation	—	646,114	90,000	736,114
h. Additional nonresidential centers ..	1,132,052	—	—	1,132,052
i. Expand centers to 80 corpsmembers	1,521,197	—	180,000	1,701,197
Total Changes 1981-82	<u>\$4,472,347</u>	<u>\$650,873</u>	<u>\$375,608</u>	<u>\$5,498,828</u>
Total Proposed 1981-82 Budget	<u>\$26,611,850</u>	<u>\$1,004,754</u>	<u>\$11,291,050</u>	<u>\$38,907,654</u>

^a State Energy Resources Conservation and Development Special Account, General Fund.

^b 1980-81 Base Budget excludes \$2,250,000 appropriated from the Energy and Resources Fund pursuant to Chapter 909, Statutes of 1980. This money will not change the budget totals because it is available for expenditure only to the extent that CCC receives less federal funds in 1980-81 than was budgeted.

Workload adjustments include the elimination of funds provided on a one-time basis in the current year—\$180,000 for moving the training academy and \$876,887 for a stream clearance program reimbursed by the Department of Fish and Game (Renewable Resources Investment Fund) pursuant to Chapter 1104, Statutes of 1979. Increases include \$485,026 for the full year cost of corpsmember salary increases effective in January 1981, and \$512,826 for various price increases.

The budget requests \$188,500 for special repairs to base centers. All other significant program changes fall into one of two general categories—increases in administration and program expansion. Increases in administration include:

- \$64,978 for 3 additional base center staff positions to achieve a standard staffing pattern,
- \$139,875 for 4.5 additional positions at the training academy,
- \$425,249 for 19.5 additional headquarters positions, and
- \$193,057 for 2.5 positions to implement an electronic data processing system.

The increases for program expansions include:

- \$976,879 for 11 positions and 60 corpsmembers to continue the stream clearance program begun pursuant to Chapter 1104, Statutes of 1979. Although funding for this program will continue to be provided by the Department of Fish and Game through reimbursements, the source of funds has been

CALIFORNIA CONSERVATION CORPS—Continued

changed from the Renewable Resources and Investment Fund to the Energy and Resources Fund,

- \$736,114 for 4 positions and 60 corpsmembers to expand the solar and energy conservation training program,
- \$1,132,052 to add two new nonresidential base centers (20 positions and 120 corpsmembers), and
- \$1,701,197 to expand six existing base centers from 60 corpsmembers to 80 corpsmembers (12 positions and 120 corpsmembers)

Partial Year Costs

The cost to the state of supporting the program level proposed for the CCC is not fully reflected in the Governor's Budget. Approval of the proposed budget will automatically require a budget augmentation in 1982-83 and may require additional funding in 1981-82. There are three reasons for this:

- **Nonresidential centers.** The Governor's Budget requests \$1,132,052 to establish two new nonresidential base centers in 1981-82. Because the centers are to be phased in, one opening October 1, 1981 and the other opening April 1, 1982, the full year cost of the new centers won't occur until 1982-83. We estimate the full year cost in 1982-83 to be approximately \$2.0 million, or \$868,000 more than the amount budgeted for 1981-82.
- **Renegotiated leases.** Almost all of the CCC facility leases expired December 30, 1980. These leases are presently being renegotiated and lease payments may increase substantially. For example, prior to the expiration of the training academy lease, CCC was paying \$7,000 per month. The owners of the facility have directed CCC to vacate the facility by June 30, 1981 and have agreed to a short-term lease for the January 1-June 30 period that calls for lease payments of \$18,500 per month—a 164 percent increase over the old lease. The cost of alternative facilities ranges from \$0 at a federal facility to \$20,000 per month. The Governor's Budget does not request funds to cover increased leasing costs that are likely to result from the renegotiations now under way.
- **Federal funds.** Federal grants are available to the CCC under Public Law 95-93, which created the Young Adult Conservation Corps. The CCC is budgeted to receive \$6.9 million in federal funds in both the current year and the budget year. At the time this analysis was written, however, the level of federal support for the CCC was uncertain because Congress had not enacted an appropriations bill for either federal fiscal year 1981 or 1982. If the CCC does not receive the full amount of federal funds budgeted, either a program reduction or an increase in state expenditures will be required. Chapter 909, Statutes of 1980 (SB 2064), appropriated up to \$2,250,000 from the Energy and Resources Fund to make up any deficiency in federal funds during the state's current fiscal year. Chapter 909 does not apply to 1981-82. Therefore, the 1981-82 budget may need to be adjusted if the anticipated federal funds are not received.

Special Corpsmembers

We recommend that language be added to Item 334-001-001 prohibiting the use of funds budgeted for regular corpsmembers to hire special corpsmembers.

Chapter 50, Statutes of 1980 (SB 1321), extended the authorization for CCC from December 31, 1980, to January 1, 1986. Chapter 50 also authorized the director of the CCC to "employ special corpsmembers without regard to their age so that the corps may draw upon their special skills which may contribute to the attainment of the objectives of the program." During the legislative hearings on SB 1321, CCC indicated that the special corpsmember designation would be used on a limited

basis to hire personnel such as retired carpenters, welders, etc., to provide special training to corpsmembers. Additional funding for the special corpsmembers was not requested in either the legislation or the 1980 Budget Act.

A review of CCC's use of special corpsmembers indicates problems in three areas.

- **Number hired.** The special corpsmember designation was intended to be used on a limited basis. As of January 1981, CCC had hired a total of 59 special corpsmembers (40 full-time and 19 part-time).
- **Duties assigned.** The duties assigned special corpsmembers go well beyond the use of "special skills". The CCC has assigned a special corpsmember to each of the residential centers to serve as a night watchman. Additional positions are used for ongoing duties such as clerks, base center maintenance and vehicle coordination.
- **Funding.** CCC pays special corpsmembers \$750 monthly. Because the budget does not provide separate funds for this purpose, CCC uses funds budgeted for regular corpsmember contracts to support the special corpsmembers. In effect, this practice eliminates approximately 63 regular corpsmember positions, or the equivalent of the enrollment at one base center.

We do not believe this use of the special corpsmember designation is consistent with the intent of Chapter 50 or with the 1980 Budget Act. While we agree that the special corpsmembers can provide valuable training to corpsmembers, they should not displace regular corpsmembers, or unduly augment civil service staff. Using special corpsmembers to augment budgeted staffing levels weakens legislative control over the corps' use of funds.

CCC's training budget, which includes approximately \$3,700 for each center, is specifically provided to support corpsmember training, and these funds could be used to fund special corpsmembers who provide special training. If CCC requires additional positions for security, base center maintenance, clerical or other administrative positions, these positions should be justified through the normal process—a budget change proposal.

Accordingly, we recommend that the following Budget Bill language be adopted for ~~Item 334-001-001~~:

~~"Provided that none of the funds appropriated in this item for corpsmember contracts may be expended to pay special corpsmembers."~~

Adoption of this language will, in effect, provide an additional 63 regular corpsmembers to the current year level at no increased cost.

Diversion of Corpsmembers

The current year budget provides contract funding for one year of training to the equivalent of 1,840 corpsmembers. This number assumes 60 corpsmembers in each of 23 base centers (1,380 corpsmembers), a stream clearance project funded pursuant to Chapter 1104, Statutes of 1979 (60 corpsmembers), a Resources Protection Trainee program operated with the Department of Forestry (240 corpsmembers) and an average of 160 corpsmembers at the training academy. The 1981-82 budget proposes to increase the total number of corpsmember contracts to 2,140 by adding two nonresidential urban centers (120 corpsmembers), expanding six existing base centers from 60 to 80 corpsmembers (120 corpsmembers) and adding 60 corpsmembers specifically for the solar training and energy conservation program.

Based on the proposed budget, it would appear that CCC would provide one year of training for 2,140 corpsmembers in 1981-82. However, the number of one-year corpsmember positions actually available is substantially less than 2,140 due to:

- **Special corpsmembers.** As previously discussed, CCC has displaced approxi-

CALIFORNIA CONSERVATION CORPS—Continued

mately 63 regular corpsmembers by using funds budgeted for corpsmembers to hire "special corpsmembers" as night watchman, clerks, etc.

- **Second-year corpsmembers.** Chapter 50, Statutes of 1980, provides that participation in the CCC shall be for one year with an extension possible. CCC has institutionalized an extensive two-year program. In 1981-82, CCC plans to use 652 of the proposed 2,140 contracts (30.5 percent) for second-year corpsmembers. Included are positions as cooks (50), solar-energy conservation specialists (60), timber and nursery specialists (12), resources protection trainees with the Department of Forestry (240), base center specialists (134) and crewleaders (156).

The special corpsmembers and second-year corpsmembers eliminate training opportunities for 715 corpsmembers.

Continuing High Attrition Rate

As previously stated, the 1981-82 CCC budget provides for 2,140 corpsmembers. In order to maintain this number of corpsmembers, the number of persons entering the corps will have to be much higher due to the high attrition rate. Our 1979-80 analysis indicated that only 39 percent of the corpsmembers had completed one year of service, which is an attrition rate of 61 percent. Last year, the average completion rate dropped to 24.2 percent, or an attrition rate of 75.8 percent. Table 2 indicates that the average completion rate has continued to decline. Of the 7,185 corpsmembers who have entered the program since it started only 1,624 have completed one year's service, for an average completion rate of 22.6 percent, or an average attrition rate of 77.4 percent.

Table 2
California Conservation Corps
Graduates by Class

<i>Class</i>	<i>One-Year Completion Date</i>	<i>Starting Number</i>	<i>Total Number of Graduates</i>	<i>Percent Completing One Year</i>
1-7	2/26/78 through 11/27/78	580	226	39.0
8-16	1/29/79 through 11/8/79	3,251 ^a	788 ^a	24.2 ^a
17	1/8/80	241	39	16.2
18	2/7/80	322	45	14.0
19	3/12/80	289	51	17.6
20	4/11/80	325	64	19.7
21	5/9/80	289	34	11.8
22	6/11/80	154	39	25.3
23	7/9/80	157	32	20.4
24	8/8/80	325	70	21.5
25	9/5/80	311	74	23.8
26	10/8/80	354	70	19.8
27	11/7/80	326	51	15.6
28	12/5/80	261	41	15.7
Totals		7,185	1,624	22.6%

^a This is the cumulative number for classes 1-16.

The high attrition rate causes both administrative and program problems. An example of the former is the large number of personnel needed for personnel payroll, and accounting. The 1979 Budget Act appropriated funds for six new positions to process the large number of personnel, payroll and accounting docu-

ments required for the hiring, transfer and termination of corpsmembers. An additional five new positions were included in the 1980 Budget Act for similar activities. The Governor's Budget for 1981-82 requests an additional 8.5 positions for increased personnel, accounting and payroll support at the headquarters.

In addition to increasing administrative workload, the high attrition rate also increases travel and training costs. High rates of attrition also disrupt work crews, making conservation projects more difficult to complete in a timely and efficient manner.

Continued Rapid Expansion

Table 3 summarizes annual program expenditures funded from all sources (including reimbursements). It shows that annual budgets for the CCC have increased by \$31.0 million, or 392.0 percent, since the program's inception in July 1976.

Table 3
California Conservation Corps
Annual Program Expenditures

	<i>Total Expenditures</i>	<i>Percent Increase</i>
1976-77	\$7,907,584	—
1977-78	12,405,807	56.9%
1978-79	21,314,161	71.8
1979-80	26,530,375	24.5
1980-81 (estimated)	33,408,826	25.9
1981-82 (proposed)	38,907,654	16.5

Clearly, CCC experienced rapid growth over the past five years. During those years, CCC concentrated on selecting and opening new base centers, rather than on establishing effective management, budget and personnel procedures. The emphasis on rapid expansion, in combination with the high attrition rate, has produced many of the current administrative problems for which additional staff is requested in 1981-82.

INCREASED ADMINISTRATION

The budget is proposing a General Fund increase of \$823,159 (29.5 personnel-years) to improve program administration throughout the CCC. Justification for the administrative increase is based on existing workload and is not required for the proposed program expansion. These proposed administrative increases are described below.

Base Center Staffing

We recommend approval.

CCC is requesting \$64,978 for three additional conservationist I positions for allocation to base centers. The CCC budget is based on a standard staffing complement for each base center. Because of an administrative error, these three positions were not budgeted in past years. We believe the request is justified to provide an equal complement of staff to all centers.

Proposed Automation

We recommend approval.

The CCC has a number of manual recordkeeping systems, including payroll, accounting, personnel and project management. The budget proposes \$193,057 from the General Fund to automate corpsmember personnel, fiscal management

CALIFORNIA CONSERVATION CORPS—Continued

and project management systems. An outside consultant has completed a needs assessment and concluded that a number of headquarters activities are amendable to automation. The CCC is undertaking a feasibility study to determine if automation of the identified systems is cost-effective.

We have reviewed the proposal and, contingent on positive findings in the feasibility study, recommend that it be approved. As the consultant's report points out, automation of these systems could result in cost reductions, avoidance of future costs, improved program effectiveness and better overall management. Certain of these benefits can be realized immediately as discussed later under headquarters staffing.

Academy Staffing

We recommend that Item 334-001-001 be reduced by \$134,259, and that reimbursements to that item be reduced by \$5,616 to delete 4.5 positions at the training academy.

The CCC conducts initial screening, training and orientation of most new corpsmembers at the training academy located at Murphy's, Calaveras County. The facility used by the training academy has been sold to private investors and the CCC must vacate it by June 30, 1981. Although CCC has been attempting to select a new site for a year, it had still not done so at the time this analysis was written.

The request for an additional 4.5 staff positions (\$139,875) at the training academy includes a business services officer I, a conservationist II, one training officer I and 1.5 nurse practitioners. Our analysis of the proposal concludes that there are procedural and technical problems with the entire proposal and a lack of workload justification for certain of the positions.

From a procedural standpoint requesting increased staffing for the training academy is premature at this time. Staffing needs at the academy are dependent on the number of corpsmembers being trained. We have no information on the corpsmembers capacity of the new academy because a new location has not been selected. Consequently, we do not know the number of corpsmembers that can be trained in the budget year or the staffing required to train them.

From a technical standpoint, the request is not consistent with CCC's needs, based on past experience. CCC's overall workload justification assumes enrollment at the existing academy of 350 corpsmembers per class. In fact, actual enrollment is well below that. At the existing academy, enrollment for the 12 classes in calendar year 1980 averaged only 215, with the highest being 296. Consequently, it does not appear that the staff is overbudgeted, even by CCC's own standards.

Finally, we question the need for certain of the individual positions.

- **Business Services Officer I.** The present training academy does not have a business services officer in the budget. However, a recent audit by the State Personnel Board noted that two of the existing conservationist positions were actually performing business services functions. These positions will be reclassified in the current year to perform the business services function.
- **Conservationist II.** During the current year, CCC has temporarily reclassified an existing conservationist administrator I position to staff management I to assist management with the problems associated with the relocation of the academy. This position will be returned to its original classification in the budget year and can be used as a conservationist II. Thus, an additional position is unnecessary.
- **Nurse Practitioners.** Nursing services are presently provided by contract. Services are available for corpsmembers 6 mornings a week, 3 weeks a month. (Corpsmember orientation is scheduled for only 3 weeks of the month.) The contract service is less costly (\$19,600 vs. \$43,000) and more efficient than establishing permanent positions. The CCC's budget for contracts includes

\$20,000 for "miscellaneous expenditures" which could be used to continue the nursing contracts in the budget year.

For these reasons, we recommend that the request for an additional 4.5 positions at the training academy be denied, for a General Fund savings of \$134,259, and a reduction in reimbursements of \$5,616.

Headquarters Staffing

We recommend that Item 334-001-001 be reduced by \$159,927 and 4 permanent positions. We further recommend that 7 new positions requested for personnel services and fiscal management be limited to one year.

The budget proposes \$425,249 from the General Fund for support of 19.5 new positions at the Sacramento Headquarters in 1981-82. The new positions would be in addition to the presently authorized 73.6 positions (\$3.1 million) proposed for continuation in the budget year, and are requested on the basis of existing workload. The request includes 4 positions for payroll and personnel services, 3 for fiscal management (primarily accounting), 4 for program evaluation, 4.5 for an increase in authorized temporary help, and 1 each for curriculum development, warehouse worker and headquarters receptionist.

We believe that adequate justification exists for the proposed curriculum development, warehouse worker and headquarters receptionist positions, and we recommend approval of them. However, our analysis of the remaining 16.5 positions indicates that some revisions in the budget request are warranted.

In this and previous analyses, we have commented on the administrative problems resulting from CCC's emphasis on program expansion at the expense of adequate personnel, management and budget procedures. This proposed increase represents a major effort to correct those problems. While we support the CCC's efforts to improve headquarters' administrative processes, we believe the proposed increases fail to take into account: (1) the impact of automation and (2) the adequacy of funds for temporary help within the base.

(1) *Impact of automation.* As previously discussed, the 1981-82 budget proposal includes \$193,057 for the automation of corpsmember personnel, fiscal management and project management systems. These are the same activities for which 11 of the requested 19.5 positions are proposed. As CCC's automation needs analysis points out, automation of these processes should result in cost reductions and/or cost avoidance. By requesting additional funds for both automation and increased administrative staffing, costs will be increased, rather than avoided or reduced. Based on our analysis, we recommend that the proposal for additional headquarters positions be revised as follows:

- *Establish 7 limited term positions.* The budget requests 4 positions for payroll and personnel and 3 positions for fiscal management. These same activities are also proposed for automation. After the processes are automated, these positions should be eliminated. The CCC's current schedule indicates that the new EDP system will not be fully implemented until 1982-83. Consequently, we recommend that the positions be approved in the budget year, but that approval be limited to one year.
- *Eliminate additional positions for program evaluation.* The budget includes \$101,499 for 4 additional positions in program evaluation (1 professional and 3 clerical). The positions are proposed to "identify and report on the Corps' significant activities in accomplishing the objectives of the program." Although we support CCC's efforts to improve program evaluation, CCC has not provided adequate information to justify this request.

The Corps published an overall program evaluation in December 1979 which was proposed by an outside consultant. In our *Analysis of the 1980 Budget Bill*, we discussed the inadequacy of the cost-benefit data contained

CALIFORNIA CONSERVATION CORPS—Continued

in that evaluation and the problems involved in economic measurement of CCC projects. The CCC's justification for a permanent research analyst emphasizes the need for improved cost-benefit data but provides no information on how the methodology used in the 1979 evaluation will be revised and improved cost-benefit data obtained. Without such revisions, program evaluation will be of little value to legislative oversight. The CCC should outline its program evaluation methodology before additional funding is approved.

The three clerical positions are requested to support the proposed program evaluation function as well as existing legislative and public relations functions. Much of the workload involves collecting and maintaining information on corpsmembers through a manual data system. These tasks are specifically proposed for automation and should be incorporated within CCC's automation proposal. For this reason and the one stated above, we are unable to support the program evaluation request and recommend that Item 344-001-001 be reduced by \$101,499 to eliminate the 4 proposed positions.

(2) *Need for temporary help.* The CCC is requesting \$58,428 to increase temporary help by 4.5 personnel-years. The positions are requested to provide additional administrative support during peak workload periods, and to provide vacation relief for cooks at base and fire centers. Our analysis concludes that the augmentation is not justified for two reasons:

- *Other funds are available.* The CCC has been budgeted for 2.5 personnel-years of temporary help since 1978-79 (approximately \$30,000 annually). CCC, however, has the authority and flexibility to exceed that level if funds are available. As Table 4 indicates, additional funds have been available in each of the past three years. During the period since July 1, 1978, the amount expended for temporary help has exceeded the amount budgeted by an average of \$185,000 annually. The \$185,000 became available because of CCC's high rate of personnel turnover and program expansion, which caused unbudgeted vacancies and salary savings. Although CCC's salary savings has been increased in the budget year, it is likely that additional funds for temporary help will once again become available.
- *New administrative positions.* Much of the workload handled by the existing temporary help in the current year will be performed by the new administrative positions requested for 1981-82. Consequently, the existing 2.5 personnel-years of temporary help can be directed to other tasks.

For these reasons, we believe that the workload proposed for new temporary help positions can be accomplished within the existing budget, and recommend that Item 334-001-001 be reduced by \$54,428.

Table 4
California Conservation Corps
Temporary Help Experience
1978-79 to 1980-81

	<i>Governor's Budget</i>		<i>Actual</i>		<i>Difference</i>	
	<i>Positions^a</i>	<i>Amount</i>	<i>Positions^a</i>	<i>Amount</i>	<i>Positions^a</i>	<i>Amount</i>
1978-79.....	2.5	\$30,000	21.6	\$261,972	19.1	\$231,972
1979-80.....	2.5	30,000	12.5	152,399	10.0	122,399
1980-81 (estimated)	2.5	32,925	17.8	234,596	15.3	201,671

^a Positions are expressed as personnel-year equivalents.

Solar and Energy Conservation Training Program

We recommend that the solar training and energy conservation program be reduced by \$610,000 (\$520,000 from Item 334-001-019 and \$90,000 in reimbursements scheduled in Item 334-001-001) and that corpsmembers be assigned to the program from within the existing authorized corpsmember strength.

The 1980 Budget Act provided \$505,081 to support a solar training and energy conservation program. This program is training 54 corpsmembers in two separate programs: (1) the design, fabrication, installation and maintenance of solar water heating systems, and (2) an energy audit program to enhance energy conservation within the CCC. The funding includes (a) \$353,881 from the State Energy Resources Conservation and Development Special Account in the General Fund for 10 staff positions and related operating expenses and (b) \$151,200 in reimbursements from other state agencies for the cost of materials to construct solar panels. The 54 corpsmembers come from the budgeted strength of the CCC.

The 1981-82 Governor's Budget requests a total of \$1,245,944 for the solar training and energy conservation program. This includes \$1,004,754 from the Energy Resources Conservation and Development Special Account, \$90,000 from corpsmember reimbursements for food and housing and \$151,200 from reimbursements for the cost of materials. The budget year proposal is an increase of \$740,873, or 146.6 percent, over current-year expenditures. (At the time this analysis was prepared, it was not clear that there would be adequate funds in the Special Account to support all of the programs proposed in the Governor's Budget. For further discussion, see our analysis of the Energy Commission, Item 336-001-019.)

The \$740,873 increase includes (a) \$130,873 for four staff positions and related operating expenses and (b) \$610,000 to add 60 corpsmembers. The four positions include two cooks, one business services officer and one conservation administrator I. Addition of the four positions will provide the program with the same staffing level as all other CCC residential centers.

Our analysis indicates that the addition of 60 corpsmembers is not warranted to achieve the program's original objective, and is inconsistent with the policy adopted in the 1980 Budget Act. Last year, in proposing to initiate a new solar and energy conservation program, CCC requested funds for staff and operating expenses only. CCC officials stated that the cost of additional corpsmembers could be avoided by transferring 54 selected corpsmembers from existing base centers. Now CCC is proposing to reverse that policy by adding 60 new corpsmembers for the solar and energy conservation program.

Based on the program's experience during the current year, this augmentation is not necessary for effective program operation. The center is slowly reaching full corpsmember strength. As of January 1981, the program had filled 8 of the 10 staff positions and 33 of the 54 corpsmembers slots. The CCC anticipates that a full complement of staff and corpsmembers will be attained by March 1981. Even so, the program director anticipates meeting the intended goal of installing solar systems at 30 sites in 1980-81.

We recommend that the program proceed as originally proposed and currently operated, and that corpsmember support be provided from within the existing CCC budget. This will reduce total program expenditures by \$610,000, including reductions of \$520,000 from the State Energy Resources Conservation and Development Special Account (Item 334-001-009) and \$90,000 in corpsmember reimbursements (Item 334-001-001).

Reduced Energy Consumption

We defer recommendation on \$530,796 proposed for the cost of utilities and recommend that the CCC report to the fiscal committees at budget hearings on estimated energy consumption for 1980-81 and 1981-82.

CALIFORNIA CONSERVATION CORPS—Continued

The CCC budget includes \$530,796 for the estimated cost of utilities in 1981–82. According to CCC, this amount was derived by taking the amount *budgeted* for utilities in the current year plus utility requirements of new facilities proposed for the budget year, and increasing the total by 7 percent.

The primary variables in determining utility costs are changes in consumption and price. The proposed 7 percent budget year increase would appear to be inadequate, based on projected utility rate increases. Nevertheless, while the budget may understate the size of utility rate increases expected in 1981–82, it appears to overstate CCC energy consumption.

In July 1979, the E-Con (energy conservation) program was established to reduce energy consumption throughout the CCC. In the current year, 3 of the 10 staff and 15 of the 54 corpsmember positions in the solar training program are reserved for E-Con activities. These activities include (a) performance of energy audits at CCC facilities, (b) installation of energy conservation retrofits and (c) education of corpsmembers and staff.

Based on a report recently completed by the E-Con unit, the program has been effective in reducing energy usage. Using 1978–79 as a baseline reference, CCC estimates that average consumption per “operational center month” decreased by 24 percent in 1979–80, resulting in a total savings for all centers of approximately \$136,400. Similar data is not yet available for the current year but the E-Con report indicates that substantial additional savings are achievable.

Savings realized as a result of energy conservation should reduce utility budgets. As noted above, however, the budget for utilities was prepared by increasing the current year budget by 7 percent. Savings from the E-Con program were not considered. Because the proposed budget has not been adjusted to reflect either accurate consumption data or accurate price data, we are unable to justify the amount requested. Consequently, we recommend that CCC report to the fiscal subcommittees at budget hearings on actual energy consumption for 1979–80 and estimated energy consumption for 1980–81 and 1981–82. Estimates for both years should be adjusted to reflect the reduction in energy consumption resulting from the E-Con program. If required, the budget can be adjusted at that time.

Stream Clearance

We withhold recommendation on the proposed \$976,879 reimbursement from the Department of Fish and Game, pending clarification of the department's \$2,997,000 proposal for stream clearance work.

The CCC is budgeted to receive \$976,879 in reimbursements from the Department of Fish and Game in 1981–82 for stream clearance projects in the north coast area. The funds are proposed for 11 positions and 60 corpsmembers to continue work financed in 1979–80 and 1980–81 by Chapter 1104, Statutes of 1979 (SB 201). This legislation appropriated \$1,850,000 from the Renewable Resources Investment Fund (RRIF) to the Department of Fish and Game for salmon and steelhead habitat restoration projects.

The budget proposes to continue the project in 1981–82 at essentially the current year level. Reimbursements, however, would come from the Energy and Resources Fund (ERF), rather than from the RRIF. The CCC stream clearance work is only one part of a proposed \$2,997,000 ERF appropriation to the Department of Fish and Game for salmon and steelhead habitat improvements. In our analysis of that proposal (Item 360-001-200) we withhold recommendation on the entire \$2,997,000 pending submittal of information identifying specific locations, estimated project costs and a schedule for conducting this work. Because the CCC stream clearance project is dependent on reimbursement from the Department of Fish and Game, we withhold recommendation on this aspect of the corps' budget,

pending clarification of the \$2,997,000 ERF appropriation to that department. We have no programmatic difficulty with the stream cleaning work proposed by CCC.

Base Center Expansion

We recommend that the \$1,701,197 proposed in Item 334-001-001 for expansion of six base centers be approved. We further recommend that Item 334-001-001 be reduced by \$1,132,052 to delete support for two proposed nonresidential base centers

The budget proposes the expenditure of \$2,833,249 from the General Fund for an additional 240 corpsmembers in 1981-82. The increase consists of (a) \$1,701,197 to expand six existing residential base centers from a strength of 60 corpsmembers to 80 corpsmembers (120 corpsmembers) and (b) \$1,132,052 to establish two new nonresidential base centers (120 corpsmembers).

The CCC indicates that the following six centers would be expanded to 80 corpsmembers: Camarillo, Escondido, San Jacinto, San Luis Obispo, San Pedro and Santa Clara. We have reviewed the proposal and believe that expansion at those centers is warranted. According to CCC, these centers have a backlog of project requests. The expansion of existing centers is equivalent to the addition of two new centers, but at considerable lower cost. No new lease would be required, and normal start-up costs for new centers could be avoided. Staffing needs would be much less because only 12 staff positions would be added for direct crew supervision, while 24 positions would be required for two new base centers (20 if the centers are nonresidential). Our analysis indicates that the proposal is reasonable and we recommend approval.

The CCC has not identified a site for either of the two new nonresidential centers. The proposed \$1,132,052 augmentation is based on a phase-in schedule whereby one center is proposed to open on October 1, 1981 (9 months operation) and the other center would open on April 1, 1982 (3 months operation). We estimate that full-year operation of the centers will require a minimum of \$2.0 million in 1982-83, an increase of \$867,948 over the amount proposed in the Governor's Budget.

We recommend that the funds for these two centers be deleted for the following reasons:

- **Need.** CCC has not identified the location of or justified the need for the two new centers.
- **Expense.** The full-year cost of the proposal (\$2.0 million) is at least \$300,000 more than the cost of expanding capacity by adding 20 corpsmembers at six existing centers.
- **Additional administrative workload.** The CCC has acknowledged serious problems in administrative workload and is attempting to resolve them. Continued program expansion will only exacerbate the problems.
- **Zero cost alternative.** Adoption of the Budget Bill language we recommend to restrict the use of "special corpsmembers" will effectively add approximately 63 regular corpsmembers at no increase to the budget.

For these reasons, we recommend that the proposed addition of two new non-residential centers be denied, and that Item 334-001-001 be reduced by \$1,132,052.

CALIFORNIA CONSERVATION CORPS—CAPITAL OUTLAY

Item 334-301 from the General Fund

Budget p. R 20

Requested 1981-82	\$300,073
Recommended reduction	300,073

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS	Analysis page
1. <i>Minor Capital Outlay. Reduce by \$300,073.</i> Recommend minor capital outlay projects be deleted.	456

ANALYSIS AND RECOMMENDATIONS

Minor Capital Outlay

We recommend that Item 334-301-001 for minor capital outlay be deleted, a reduction of \$300,073.

The budget proposes the expenditure of \$300,073 from the General Fund for 24 minor capital outlay projects (\$100,000 or less per project) for the California Conservation Corps. The projects are summarized in Table 1 which shows that 10 are related to basic living unit needs, 12 make improvements to correct health and safety deficiencies, 1 is related to training and program support, and 1 will construct facilities related to a solar energy program at Greenwood.

Table 1
California Conservation Corps
Minor Capital Outlay
1981-82

	Number of Projects	Amount
1. Improvements to meet basic living unit needs	10	\$124,752
2. Improvements to correct health and safety deficiencies	12	68,191
3. Training and program support projects	1	8,690
4. Solar energy program at Greenwood	1	98,440
Totals.....	24	\$300,073

As submitted, these proposals did not contain adequate information to either describe or justify the work to be done. In fact, no detail was provided on the solar energy project other than a five-line cost estimate. Consequently, no information has been given to the Legislature regarding this project's economic feasibility, future program costs, or potential fee support.

In the absence of information justifying the need for these projects, we recommend that funding for them be deleted, for a General Fund savings of \$300,073.

Resources Agency

ENERGY RESOURCES CONSERVATION AND DEVELOPMENT
COMMISSION

Item 336 from the General
Fund and various special
funds

Budget p. R 21

Requested 1981-82	\$29,467,898
Estimated 1980-81	21,907,088
Actual 1979-80	22,811,508
Requested increase (excluding amount for salary increases) \$7,560,810 (+34.5 percent)	
Total recommended reduction	\$3,923,137
Recommendation Pending	\$25,544,761

1981-82 FUNDING BY ITEM AND SOURCE

Item	Description	Fund	Amount
336-001-019—Support		Energy Resources Conserva- tion and Development Spe- cial Account, General	\$24,372,617
336-001-044—Support		Motor Vehicle Account, State Transportation	2,470,281
336-001-188—Solar Pond Project		Energy Resources	2,250,000
336-001-412—Support		Transportation Rate	375,000
336-001-890—Support		Federal Trust	(12,495,716)
Total			\$29,467,898

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

Analysis
page

1. Absence of Justification. We withhold recommendation on \$25,544,761 in state funds and \$12,495,716 in federal funds requested by the commission, pending receipt of budget change proposals, supporting documents, and schedules. 464
2. Quarterly Contract Reports. We recommend that supplemental report language again be adopted to require the Energy Commission to submit quarterly contract progress reports to the Legislature. 465
3. *Transportation Rate Fund. Eliminate Item 336-001-412 (\$375,000).* Recommend reduction because this source of funding is not available to the Energy Commission. 466
4. *Electronic Data Processing. Reduce \$718,358 from unspecified sources.* Recommend reduction because the commission's request does not recognize potential savings. 467
5. *Excessive Power Plant Siting Staff. Reduce Item 331-001-019 by \$371,976.* Recommend reduction to balance staff with workload. 468
6. Statutory and Fiscal Remedies Needed. Recommend (1) legislation to clarify the jurisdiction of the Energy Commission, the Public Utilities Commission and the Air Resources Board, and (2) budget language requiring the Energy Commission to establish a budgeting and accounting system to report power plant siting costs. 471
7. *Fuels Assessment Element. Reduce unspecified items by* 477

ENERGY RESOURCES CONSERVATION AND DEVELOPMENT COMMISSION

—Continued

\$2,457,803. Recommend reduction because the Energy Commission has not shown how its emergency planning, petroleum information and fuel allocation systems will address the requirements of existing law, or justified the funding needs for these systems. This general recommendation includes two specific reductions, (1) a reduction of \$205,000 to eliminate six new positions for fuels information gathering because the commission has diverted existing positions to other purposes and (2) a reduction of \$100,000 to eliminate unnecessary work to verify county gasoline consumption data compiled by the Board of Equalization.

GENERAL PROGRAM STATEMENT

The State Energy Resources Conservation and Development Commission began operations in January 1975. The five-member, full-time commission is responsible for certifying power plant sites, forecasting energy supplies and demands, developing energy conservation measures, and carrying out a program of research and development in energy supply, consumption, conservation, and power plant siting technology. The commission is located in Sacramento.

ANALYSIS AND RECOMMENDATIONS

The budget proposes four appropriations totaling \$29,467,898 from various state funds for the commission in 1981-82. This is an increase of \$7,560,810, or 34.5 percent, over estimated current-year expenditures. This amount will increase by the amount of any salary or staff benefit increases approved for the budget year. The budget proposes funding for 507 authorized and 44 new positions in 1981-82. In addition, the budget requests \$2,250,000 from the Energy Resources Fund to finance the first year of state participation in the Salton Sea Solar Pond demonstration project proposed by the Southern California Edison Company.

The budget proposes total expenditures of \$42,605,233 from all sources for the Energy Commission in 1981-82, as shown in Table 1.

Table 1
Energy Commission
Sources of Funds—1981-82

<i>Funding Source</i>	<i>Amount</i>
Energy Resources Conservation and Development Special Account, General Fund (Item 336-001-019)	\$24,372,617
Energy Resources Conservation and Development Reserve Account, General Fund....	390,475
Motor Vehicle Account, Transportation Fund (Item 336-001-044)	2,470,281
Transportation Rate Fund (Item 336-001-412)	375,000
Energy Conservation and Assistance Account	98,272
Energy and Resources Fund (Item 336-001-188)	2,250,000
Reimbursements	152,872
Federal Trust Fund	12,495,716
Total Expenditures	\$42,605,233

The total expenditures shown in Table 1 are \$21,057,698, or 33.1 percent, less than the \$63,662,931 estimated to be spent in the current year. The decrease does not reflect a reduction in the commission's ongoing programs. Instead, it reflects the unique funding arrangement for loan and financial incentive programs as well as significant one-time expenditures in the current year. Table 2 lists these special expenditures, and shows that after adjustments are made to exclude them from the

1980-81 expenditure total, the budget proposes to increase support for continuing commission programs by \$10,341,302 to a total of \$40,355,233, which is 34.5 percent higher than in 1980-81.

Table 2
Energy Commission
Comparison of 1980-81 and 1981-82
Estimated and Proposed Expenditures
Adjusted to Show Increases in Continuing Support Programs

	<i>Deductions</i>	<i>Totals</i>
1980-81 Total Estimated Expenditures.....		\$63,662,931
Deduct one-time expenditures and financial assistance funds		
AB 900 ^a energy conservation loans to schools, hospitals, local government and public care facilities—General Fund.....	\$9,500,000	
SB 771 ^b clean coal demonstrations—Clean Coal Account, General Fund	4,000,000	
SB 771 ^b assistance for projects to convert agricultural and forestry wastes to energy—Agricultural and Forestry Residue Utilization Account, General Fund	10,000,000	
SB 1723 ^c street lighting energy conservation loans to local governments—Energy and Resources Fund	8,000,000	
SB 1611 ^d Agricultural Solar Design Competition—Energy and Resources Fund	99,000	
SB 620 ^e Alcohol Fuels Fleet Test—Reimbursement from Transportation Planning and Development Account	<u>2,050,000</u>	
Total deductions		-33,649,000
1980-81 Estimated Continuing Program Expenditures		\$30,013,931
1981-82 Total Proposed Expenditures ^f		42,605,233
Less financial assistance in 1981-82 for		
Salton Sea Solar Pond Project—Energy and Resources Fund		-2,250,000
1981-82 Continuing Program Expenditures		\$40,355,233

^a Chapter 1124, Statutes of 1979

^b Chapter 1123, Statutes of 1979

^c Chapter 902, Statutes of 1980

^d Chapter 905, Statutes of 1980

^e Chapter 161, Statutes of 1979

^f As shown in Governor's Budget.

Each of the programs itemized in Table 2 for 1980-81 was funded through a statute enacted in 1979 or 1980. The expenditures shown for each program, however, do not include the commission's cost of administering these programs. The administrative costs are included in the commission's other support costs.

Expenditures Levels Are Uncertain

The budget assumes that after the amounts appropriated for energy conservation loans (AB 900), waste-to-energy and clean coal projects (SB 771), and street-light conversion loans (SB 1723) are initially loaned or distributed, no further loans or distributions will be made. Our analysis indicates that this is not correct. The legislation authorizing these programs allows the commission to make additional loans using the proceeds from repayments. The commission's staff indicates, however, that it does not expect to have significant repayments available for new loans or financial assistance until 1982-83.

On the other hand, some of the loan and assistance money shown as being spent during the current year may not be committed until 1981-82. In the case of

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

financial assistance for projects to convert agricultural and forestry wastes to energy under SB 771, for example, commitments are statutorily limited to \$5 million in the current year. Commission staff expect actual commitments under this program to be only \$3.7 million during 1980-81, although the budget shows the entire \$10 million being spent in the current year. Also the commission is planning to analyze the results of preliminary studies before it decides whether and when to spend the \$4 million appropriated by SB 771 for clean coal demonstration projects. The portion of SB 771 that is for Clean Coal Studies, the SB 1611 Agricultural solar Design Competition and the SB 620 Alcohol Fuels Fleet Test are one-time expenditures.

Electricity Surcharge

The Energy Resources Conservation and Development Special Account (the Special Account) receives its revenues from a surcharge on the sale of electricity. The surcharge has a maximum rate of \$.0002 (two-tenths of a mill) per kilowatt-hour. The rate is set each year by the Board of Equalization, which also collects the surcharge from the utilities.

The law requires the board to set a rate each January that will produce enough revenue to fund the expenditures from the Special Account that are proposed in the Governor's Budget. The board must adjust the rate again in August, if necessary, to reflect the final appropriations in the Budget Act. Any surplus remaining in the Special Account at the end of each fiscal year is transferred to the Energy Resources Conservation and Development Reserve Account (the Reserve Account), or if the Reserve Account balance has reached \$3 million, the surplus is used to reduce the surcharge rate in the following year.

The Reserve Account may be used by the commission, with the approval of the Director of Finance, for cash-flow loans to the Special Account, for cost-of-living salary increases for Energy Commission employees, and to fund unexpected work-load for power plant siting.

At its January 1981 meeting, the board increased the rate from sixteen hundredths of a mill to nineteen hundredths of a mill. Due to collection lags the rate increase does not result in a revenue increase until 1981-82. The board's staff estimates that the new rate will produce revenues of \$29,442,799 in 1981-82, which is \$616,668 less than the 1981-82 revenue projection of \$30,059,467 in the Governor's Budget. At the current rate of nineteen hundredths of a mill, the surcharge costs the average residential electricity customer about 11 cents each month.

Expanding Use of the Special Account

The Warren-Alquist Act states that the Special Account may be used for any purpose authorized by the act. Prior to the 1979-80 fiscal year, the Special Account has been used solely to fund the Energy Commission and to reimburse the costs incurred by the Board of Equalization in collecting the surcharge. The Budget Act of 1979 expanded the use of revenues from the surcharge by appropriating \$381,809 to the Public Utilities Commission (PUC) and \$150,000 to the SolarCal Office and Council. Because the Warren-Alquist Act assigns a number of duties to the PUC, it is appropriate to cover the costs of carrying out these PUC duties from the Special Account. The SolarCal Office and Council received funds to support their programs to promote solar energy, which the Warren-Alquist Act endorses.

Table 3 lists those agencies which received appropriations from the Special Account in the current year, and the estimated expenditures of each. It also shows the appropriations proposed from the Special Account for 1981-82.

Although the Energy Commission still receives most of the funds from the

Special Account, nine other agencies received appropriations from the Special Account in 1980-81. For 1981-82, the Governor's Budget proposes appropriations from the Special Account to five of these agencies in addition to the Energy Commission.

Table 3
Estimated and Proposed Expenditures From the
Energy and Resources Conservation and Development
Special Account in 1980-81 and 1981-82

<i>Organization</i>	<i>Estimated 1980-81</i>	<i>Proposed 1981-82</i>
Energy Commission—support	\$19,706,273	\$24,372,617
Board of Equalization—surcharge collection costs and collection of county gasoline data in 1981-82	49,456	291,379
Solar Business Office—support	117,733	—
SolarCal Council—support	105,119	91,000
Public Utilities Commission—support	2,820,653	3,968,704
California Conservation Corps—solar and energy conservation pro- grams	426,881	1,004,754
Air Resources Board—cogeneration and alternative fuels programs	138,652	290,836
Department of Water Resources—photovoltaic project	250,000	—
Alternative Energy Source Financing Authority—start-up loan (Chapter 908, Statutes of 1980)	200,000	—
Board of Control—claims	25,649	—
Totals	\$23,840,416	\$30,019,290

The PUC has become a major recipient of Special Account funds. The PUC approves electricity rates charged by utilities which generate the funds needed to finance the utilities' energy conservation and alternative energy programs. Rate-making by the PUC can also discourage excessive energy use through changes in rate structures. Most of the Special Account funds appropriated to the PUC have been used to establish new energy conservation or alternative energy programs. This money has replaced General Fund support of PUC activities because the General Fund would have otherwise been the funding source for these new programs. The Legislature also appropriated \$590,000 from the Special Account to the PUC in 1980-81 to reduce the amount of salary savings and thereby increase the amount available to support personnel in the PUC's General Fund-supported programs.

For 1981-82, the PUC's budget request includes from the Special Account \$151,903 for additional PUC staff to process electric and gas utility requests for energy cost adjustments, an activity traditionally supported by the General Fund.

It is reasonable to use revenue from the electricity surcharge to support PUC programs related to the regulation of electricity rates. The appropriateness of using these revenues to support the assembly of solar water heaters by the California Conservation Corps and installation of the solar units in state facilities, or for the Board of Equalization to collect gasoline consumption data is questionable. The same is true of some Energy Commission programs, such as gasoline allocation, which have been funded with surcharge revenues. These activities have no connection with electricity use.

In effect, the Special Account has become a source of funds for a variety of energy programs administered by various state agencies. Because of this, and because the Energy Commission itself has gained access to additional funding sources, money from the Special Account is becoming interchangeable with money from the General Fund and several other funds.

ENERGY RESOURCES CONSERVATION AND DEVELOPMENT COMMISSION —Continued

Potential Deficit in the Special Account

The fund condition statement for the Special Account that appears in the Governor's Budget indicates that the account will have a surplus of \$1,241,167 as of June 30, 1981. This surplus would remain after the transfer of \$1,955,754 in surplus funds to the Reserve Account, which will bring the reserve to its \$3 million statutory maximum. However, when the budget figures are corrected for several errors and omissions, the projected surplus becomes a deficit, as shown in Table 4.

Table 4
Energy Resources Conservation and Development Special Account
1980-81 Corrections and Potential 1981-82 Adjustments
to Fund Condition in Governor's Budget *

	<i>Corrections</i>	<i>Total</i>
Accumulated Surplus, June 30, 1981 as estimated in Governor's Budget		\$1,241,167
Corrections:		
1980-81 revenue overestimation	—\$2,800,000	
Transfer to Fuel Allocation Revenue Account (Chapter 803, Statutes of 1980)	—390,000	
Lump sum salary increase (preliminary estimate)	—400,000	
Total 1980-81 Correction		—3,590,000
1980-81 Potential Deficit		\$2,348,833

Note: The potential deficit reflects necessary program and expenditures reductions rather than the creation of an actual deficit.

* See Statement of Fund Condition on page R 27 of the Governor's Budget for source of figures.

The corrections shown in Table 4 require some elaboration. The budget estimates that surcharge revenue during the current year will be \$26,424,705. This is the same amount that was projected for 1980-81 in last year's budget. That projection, however, assumed a surcharge rate sufficient to cover all of the appropriations from the Special Account requested in the Governor's Budget. However, because the Legislature appropriated an amount *less* than what the Governor requested, the Board of Equalization established a surcharge rate in August 1980 sufficient to produce only \$23.6 million in revenue. (The total amount appropriated from the Special Account by the 1980 Budget Act). As a result, revenues in the current year are overestimated by \$2,800,000.

In addition, the 1980-81 Governor's Budget fails to reflect a transfer of \$390,000 from the Special Account to the Fuel Allocation Revenue Account established by Chapter 803, Statutes of 1980. This transfer was made to fund expanded fuel allocation activities in the event of a shortage. Finally, the budget makes no allowance for the lump sum (retroactive) salary increase provided during the current year pursuant to Chapter 192, Statutes of 1979 (SB 91). This payment will add approximately \$400,000.

When these corrections are made, the projected surplus of \$1,241,167 on June 30, 1981, becomes a potential deficit of \$2,348,833. To the extent those agencies receiving appropriations from the Special Account are not able to spend the full amount of the appropriation in 1980-81, the potential deficit will be reduced. Any remaining deficit, however, will have to be offset by program reductions or a transfer of other funds into the Special Account. One possibility for avoiding a

Table 5
Energy Commission
1981-82 Major Budget Changes by Program

	<i>Changes in</i>								<i>Net Change From 1980-81</i>
	<i>Estimated 1980-81</i>	<i>Proposed 1981-82</i>	<i>Special and Reserve Accounts</i>	<i>Motor Vehicle Account and Transportation Rate Fund</i>	<i>Statutory Loan and Assistance Account</i>	<i>Energy and Resources Fund</i>	<i>Reimburse- ments</i>	<i>Federal trust Fund</i>	
1. Regulatory and Planning Program	\$10,135,905	\$15,755,343	+ \$1,615,302	+ \$971,208	N/A	+ \$2,250,000	- \$63,083	+ \$846,011	+ \$5,619,438
a. Salton Sea Solar Pond + \$2,250,000									
b. Reduction in power plant siting - \$235,000									
c. Fuels studies, + \$1,080,000									
d. Demand forecasting + \$650,000									
e. Energy technologies + \$1,200,000									
2. Energy Conservation	24,660,592	11,216,305	+ 618,232	+ 871,800	- 9,501,471	- 8,000,000	N/A	+ 2,567,153	- 13,444,287
a. AB 900 loans and SB 1723 street lighting conversion loans - \$17,500,000									
b. Buildings + \$1,060,000									
c. Appliance standards + \$540,000									
d. Transportation + \$1,500,000									
e. Commercial, industrial + \$855,000									
f. Special projects + \$320,000									
3. Development of New Energy Sources	22,093,316	9,484,520	+ 1,280,023	N/A	- 14,250,000	- 99,000	- 2,097,136	+ 2,557,317	- 12,608,796
a. Residue conversion/clean coal - \$14,250,000									
b. Alcohol fuels fleet-test - \$2,097,136									
c. Solar competition - \$99,000									
d. Synthetic fuels + \$1,060,000									
e. Small power producers + \$1,200,000									
f. Solar program contracts + \$1,576,000									
g. Special projects + \$122,000									
4. Policy, Management and Administration	6,773,118	6,159,065 ^a	+ 454	+ 7,212	+ 19,737	N/A	- 32,979	- 608,477	- 614,053
a. Eliminate Fuel Allocation Office - \$359,516									
b. Word processing + \$152,000									
c. Public Advisor's Office + \$163,000									
d. Federal fund reduction - \$608,477 ^b									
Totals	\$63,662,931	\$42,615,233 ^c	+ \$3,514,011	+ \$1,850,220	- \$23,731,735	- \$5,849,000	- \$2,193,198	+ \$5,362,004	- \$21,047,698 ^c

N/A = Program receives no funds from this source.

^a The Governor's Budget shows \$6,149,065, but the funding sources for this program add to \$6,159,065.

^b Due to budgeting of indirect costs within other programs for 1981-82 only. Indirect cost recovery from federal funds increases by an additional \$893,667 in 1981-82, but is distributed among the programs.

^c This figure is \$10,000 larger than the total programs figure in the Governor's Budget due to the discrepancy cited in footnote (a) above.

ENERGY RESOURCES CONSERVATION AND DEVELOPMENT COMMISSION —Continued

deficit would be to eliminate the \$2 million transfer from the Special Account to the Reserve Account proposed in the Governor's Budget. Another alternative would be to revert the \$390,000 transferred to the Fuel Allocation Revenue Account.

Shortage of Funds for the 1981-82 Budget Program

The budget projects a surplus of \$1,366,344, for the Special Account at the end of 1981-82. However, this assumes that the projected surplus of \$1,241,167 is carried over from the current year and that the surcharge will produce \$30,059,467 in revenue in 1981-82. As we discuss above, there probably will be no surplus in 1980-81 to carry over and the estimate of 1981-82 revenue by the staff of the Board of Equalization is \$616,618 less than the estimate of \$30,059,467 shown in the budget. These two adjustments reduce the funds available in 1981-82 by a total of \$1,857,835, which eliminates the projected surplus of \$1,366,344 and creates a potential deficit of \$491,491 for the Special Account in 1981-82.

Significant Budget Changes

Table 5 summarizes the commission's proposed program changes for 1981-82, by funding source. As the table shows, major increases in funding for new or expanded projects have been proposed for all of the commission's programs. As already discussed above, the reduction in expenditures shown by the table reflects the unique funding arrangement for loans and financial assistance plus special one-time expenditures in the current year. Because the commission has not provided detailed information in support of its budget, the figures shown in the table for individual budget changes within each program are approximate and are based on the budget approved by the commission in September 1980.

Absence of Justification and Documentation

We withhold recommendation on the \$29,467,898 in state funds and \$12,495,716 in federal funds proposed for appropriation in the Budget Bill to support the commission (the entire budget request of the commission, less \$3,923,137 in specific reductions which we recommend below), pending receipt of budget change proposals, supporting documents, and schedules.

The commission lists 21 "significant program changes" in its budget. The State Administrative Manual requires a budget change proposal (BCP) to be prepared for each of these changes to justify the amount requested. The BCPs are normally reviewed by the Department of Finance in preparing the Governor's Budget, and are then submitted to the Legislature for its review.

The only documentation prepared by the commission to justify its 1981-82 budget request is the preliminary material compiled by the staff in September. This material is not adequate to meet the requirements of the State Administrative Manual.

During the week of January 12, after the Governor's Budget had been transmitted to the Legislature, we received some budget change proposals from the commission. These BCPs were prepared *after* the Department of Finance had approved the commission's budget, and were submitted too late for us to review and analyze for the preparation of this analysis. We will submit to the Legislature our analysis of these BCPs and our recommendations for funding changes based on this analysis in the form of a supplemental analysis.

As we discuss in the section on power plant siting, below, there are areas of duplication and overlap between the Energy Commission and the PUC. It has not been possible, however, to compare the budgets of the two agencies to determine

the extent of duplication because the PUC also failed to submit BCPs until mid-January.

Additional Budgeting Problems

At the time this analysis was written, the commission had not prepared basic schedules to support its budget request. For example, there is no schedule which shows the sources and expected availability of the \$12.5 million in federal funds budgeted for the commission in 1981-82. Commission staff indicate that the combined total for federal funds in 1980-81 and 1981-82 may double-count a \$3 million carryover between the two years, but the staff is not certain.

Another problem with federal funds relates to indirect cost recoveries. State agencies are required to set aside a percentage of the federal funds they receive in order to cover overhead costs. Commission staff indicate that these indirect cost recoveries will be about \$2.1 million in 1981-82. The budgets for 1979-80 and 1980-81 displayed the expenditure of federal funds derived from indirect cost recovery within the Policy Management and Administration program. In contrast, the budget for 1981-82 distributes most of these funds to the individual programs areas. Therefore, estimated current year expenditures and proposed expenditures for the budget year are not comparable, and the indirect costs for 1981-82 are probably budgeted improperly.

The method used by the commission to budget its administrative and management costs is not clear. The budget proposes expenditures of \$6.1 million for the Policy Management and Administration program in 1981-82. According to commission staff, the budget for the Policy Management and Administration program was prepared by taking estimated expenditures in the current year and adjusting them for price increases. The commission appears to have made no effort to relate the budget request for this program to workload estimates. For example, no attempt was made to estimate the number of hearings next year or the need for outside legal services. Instead, funding for transcripts, legal notices and contracted legal services (which totals more than \$600,000) was simply carried over from the current year and inflated for price increases. The commission's \$12.5 million federal fund request for 1981-82 is 76 percent greater than the \$7.1 million estimated current year expenditure. The budget, however, does not propose to add or redirect administrative positions to process and administer these additional grant funds.

Although we withhold recommendation on the bulk of the commission's budget request, our preliminary analysis has enabled us to make specific recommendations on a number of individual expenditure items in the budget. We were able to analyze these items without detailed budget supporting documents, on the basis of information already available or developed through discussions with commission staff. Because the commission's budget presentation is so incomplete, however, even these recommendations may require modification in our forthcoming supplemental analysis.

Contract Reports

We recommend the adoption of supplemental report language adopted by the Legislature in previous years which requires the Energy Commission to submit quarterly contract reports to the Legislature.

The commission's budget request includes \$18.4 million for contracts, primarily for research studies and consultant services. This is an increase of \$8,920,052, or 93.9 percent, over current-year estimated contract expenditures of \$9,501,986. Section 15604 of the Public Resources Code requires the commission to submit an "integrated program of proposed research and development and technical assessment projects set forth on an item-by-item basis" to the Governor for inclusion in the

ENERGY RESOURCES CONSERVATION AND DEVELOPMENT COMMISSION —Continued

state budget. This report must include any information which is "necessary to describe the project adequately." The report must also describe the progress of the commission's research programs to date. At the time this analysis was prepared, this report was not completed.

In addition to the annual report, the Legislature has also adopted supplemental report language requiring the commission to make quarterly reports describing contracts to be let during the upcoming quarter and evaluating the results of contracts completed during the preceding quarter. The purpose of these reports is to advise the Legislature of the commission's plans, and to provide a way of comparing plans with actual accomplishments. The Legislature has received the first quarterly contract report for 1980-81; the second report is due in January 1981. There are still deficiencies in the commission's quarterly contract reports, but the reports have improved considerably over the past year.

The supplemental report also requires the commission to submit an annual reconciliation of budgeted contracts with actual expenditures and contracts awarded. The commission, however, has not submitted a reconciliation of budgeted and actual contracts for 1979-80. The commission should prepare this report prior to budget hearings.

The quarterly contract reports have been helpful in monitoring the commission's many programs involving research projects and studies. They also provide the commission with a management and evaluation tool to use in administering its contracting activities.

We therefore recommend continuation of the quarterly reports by adopting the following supplemental report language:

"The commission shall continue to submit quarterly reports to the Legislature on its research, development and other consultant contracts in excess of \$10,000. Reports shall be submitted before the end of the first month in each quarter. For contracts to be let that quarter, the reports shall include (a) a summary of the work to be accomplished and how it will be used, (b) how the contract relates to previous contract work, and (c) the estimated cost and source of funds. For completed contracts, the report shall include (a) results and success or failure in meeting contract objectives, (b) how the results will be used, and (c) cost and source of funds. By November 1, of each fiscal year the commission shall submit a reconciliation of contracts budgeted in the previous fiscal year with the actual expenditures and contracts awarded."

The Supplemental Report to the 1980 Budget Act also directed the Auditor General to conduct an audit of the contracts let by the Energy Commission during the 1979-80 fiscal year. This audit is to cover contract procedures, selection of contractor, contract supervision, control of progress payments and the utilization of contract results. The supplemental report provides that the final audit report and recommendations shall be submitted to the Legislature by March 1, 1981. The staff of the Auditor General has recently begun work on this audit.

Inappropriate Use of Transportation Rate Fund

We recommend deletion of Item 336-001-412 which proposes an appropriation of \$375,000 from the Transportation Rate Fund, because the Energy Commission is not authorized to use money from that fund.

The budget proposes an appropriation of \$375,000 from the Transportation Rate Fund to the commission. This money is included in the commission's conservation program, presumably as part of the proposed \$2.5 million transportation energy conservation element.

The Transportation Rate Fund receives revenue from fees paid to the Public Utilities Commission by the trucking industry. Section 5005 of the Public Utilities Code states that "the money in the fund shall be in augmentation of the current appropriation for support of the [Public Utilities] commission, and shall be expended by the commission for the purpose of administering and enforcing the Highway Carriers Act. . . and other acts conferring upon the [Public Utilities] commission jurisdiction over the rates, charges and classifications and the rules and practices relating thereto of intrastate motor carriers of property for compensation." Because the Legislature has limited the use of money in this fund to support of the Public Utilities Commission, we recommend elimination of Item 336-001-412.

SB 771 and SB 620 Reports

Chapter 1123, Statutes of 1977 (SB 771) requires the commission to include in its annual budget request a report on (1) the progress and results of projects to convert agricultural and forestry wastes to energy and (2) projects which demonstrate clean coal. Commission staff indicate that they are now preparing this report. The 1980 Budget Act, Item 33, requires the Business, Transportation, and Housing Agency to submit a progress report by December 1, of each year on the alcohol fuels program funded by SB 620. The agency plans to complete this report in January 1981.

Reduction in Electronic Data Processing

We recommend a reduction of \$718,358 requested for data processing because the commission's request does not recognize the potential for savings due to (1) the installation of a new computer at the commission and (2) the potential for more cost-effective scheduling of its use of the Teale Data Center.

The commission is requesting \$1,765,358 for data processing in 1981-82. This is an increase of \$718,358, or 69 percent, over the estimated current-year expenditure of \$1,047,000. Based on our discussions with commission staff, it appears that the budget request was produced by compiling the individual data processing requests from each of the commission's divisions. These division requests, in turn, were prepared by extrapolating past data processing costs and augmenting the resulting amount to reflect division managers' estimates of the needs of new or expanded programs. We cannot identify the use of any specific guidelines in the preparation of these requests.

The commission has been using the Teale Center for its data processing needs, but will soon be installing a computer of its own. Even so, the commission will continue to use Teale for programs requiring very large data files. Teale charges are based on the amount of computer time used by the commission and the type of services provided. The cost of maintaining the commission's new computer, however, will be essentially fixed. The only additional cost will be for those programs which must be run at Teale.

The commission should examine its data processing needs and determine the extent they can be satisfied by the new computer. The new computer should be able to cover these needs without an increase in costs. Additional data processing funds will be necessary for those programs which must be processed by Teale or by an outside contractor. Before requesting an increase in funds for this purpose, however, the commission should estimate how much of its data processing needs at Teale can be satisfied during off-peak hours at lower rates. The commission should also establish a data processing committee to periodically review its data processing needs and to establish guidelines for the use of the commission's computer and the Teale Data Center.

We recommend a reduction of \$718,358 to eliminate the increase in funds for data processing, due to the absence of an analysis or justification for the increased costs.

ENERGY RESOURCES CONSERVATION AND DEVELOPMENT COMMISSION
—Continued**POWER PLANT CERTIFICATION PROGRAM****Excessive Staffing Requested**

We recommend a reduction of \$371,976 (9.7 personnel-years and associated operating costs and contracts) from Item 336-001-019 to reflect a reduction in power plant certification activity.

The Warren-Alquist Act created a comprehensive process for the siting of new power plants in California. The primary objective of this regulatory process is to ensure that a reliable supply of electrical energy is provided in sufficient quantities to meet the state's needs, and in a manner consistent with the state's interest in (1) protecting health and safety, (2) preservation of environmental quality, (3) maintaining a sound economy, and (4) conserving natural resources. The process has three principal components—the biennial report (BR), the notice of intention (NOI) and the application for certification (AFC).

Biennial Report. The biennial report, is a comprehensive planning document designed to: (1) identify emerging trends related to energy demand, supply, conservation and public health and safety factors, and (2) specify the level of statewide and service area electrical demand and associated problems and uncertainties for each year in the forthcoming 5-, 12-, and 20-year periods. The report provides the basis for state policy and for the approval of alternative sites for new electric power generating facilities. In addition, the BR provides an informational base and generic assessment of the commercial availability and cost of alternative generation and nongeneration (load reducing) technologies.

Notice of Intention. The notice of intention (NOI) is the first stage in the certification of an application submitted by a utility to build an electric power plant. It consists of a series of workshops plus nonadjudicatory and adjudicatory hearings which provide for an "open planning" process. The purpose of the NOI is to determine (1) the need for the proposed power plant, (2) the safety, health, environmental, land use and economic impacts of the proposed facility at three or more alternative sites, (3) whether there are preferable alternatives to the proposed project and sites, (4) the likelihood of compliance of each project site with applicable, local, regional, state and federal laws, regulations and ordinances, and (5) the general acceptability and suitability of the proposed facility at each alternative site. During the NOI, the commission must request the comments and recommendations of the Public Utilities Commission on the economic, financial, rate, system reliability, and service implications of the sites.

The commission may not approve an NOI unless it finds at least one site to be acceptable for the proposed facility. In approving the notice, the commission may specify conditions or criteria which must be addressed in the next stage of the certification process.

Application for Certification. The application for certification (AFC), the second stage, consists of a series of commission reviews and evidentiary hearings which provide a "common forum" to *verify* that a proposed power plant, located at the site approved in the NOI, will (1) be economically feasible and energy efficient, (2) reduce or eliminate all adverse health and safety effects of the facility, (3) mitigate to the extent possible the adverse environmental impacts of the facility and (4) comply with all applicable governmental laws, standards and permits. The environmental impact report (EIR), or its functional equivalent, is prepared by the commission at this time. In effect, the AFC provides a "one-stop" licensing process which consolidates the regulatory functions of state and local

agencies involved in the siting of a power plant. The commission may impose conditions in the AFC on the design, construction and operation of the plant.

Following approval of the AFC, municipally-owned facilities may proceed with financing and construction. Investor-owned utilities, however, must submit applications to the Public Utilities Commission for determination of reliability, financial and rate setting implications. Before such a utility may proceed with a project, it must secure a *certificate of public convenience and necessity*. In some instances the project must also secure approval by federal regulatory agencies.

Geothermal power plants are subject to either a 9-month NOI plus a 9-month AFC, or a 12-month combined NOI/AFC. Thermal power plants are subject to a 12-month NOI and an 18-month AFC.

Transition to Alternative Energy Sources When the commission began full-scale operations, in the late 1970's, it anticipated that the utilities would proceed with applications for all (nonexempt) power plants that were then under consideration. This has not happened. Instead, the electric utilities have changed their plans and have started a long-term transition from using large centralized generating plants to various alternative energy sources such as wind, fuel cells, biomass, solar, geothermal, coal gasification and industrial cogeneration.

The utilities have also announced the shelving of many thermal power plants because they expect to meet their electrical needs during the 1980's with fewer new power plants than previously forecast. The state's largest utilities are relying heavily on the Diablo Canyon Nuclear Power Plant, the San Onofre Nuclear Power Plant, several out-of-state coal, nuclear and geothermal projects such as the Allen/Warner Valley Energy System in Nevada (coal-fired), the Palo Verde Nuclear Plant in Arizona, and the Cerro Prieto geothermal power plant complex in Mexico.

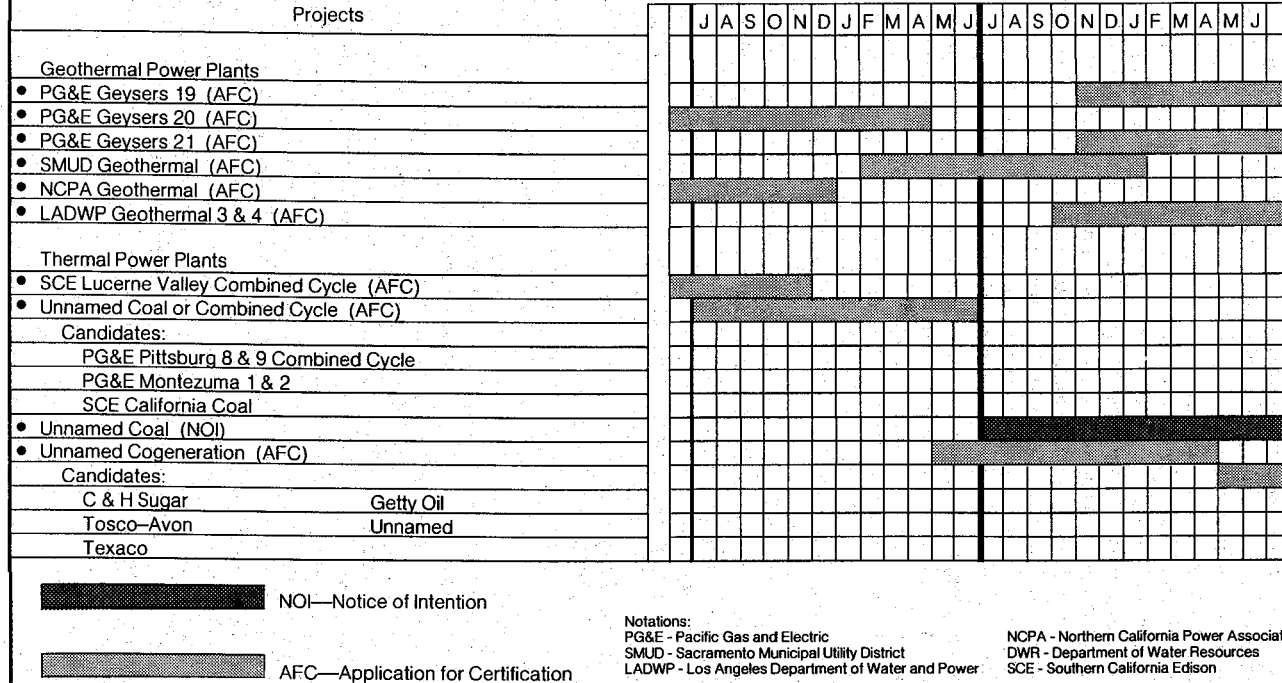
Declining Workload. Our continuing review of the commission's power plant siting workload indicates that the commission has consistently overestimated this workload. The 1980-81 budget request raised a clear issue of how much staff was needed. We recommended a major reduction of \$1,938,063 (35.5 personnel-years) because of the declining workload for siting power plants. The Legislature generally agreed with our analysis and reduced the power plant siting budget by \$1,457,336 (30 personnel-years). The commission itself agreed that it did not need all of the funds originally requested.

On September 24, 1980, the commission forecast that its power plant siting workload in 1981-82 would be still lower and would include three AFCs for geothermal power plants and two AFCs for thermal power plants (see Chart 1). In order to handle that workload, the commission is requesting \$1,823,415 for 47.4 personnel-years and consulting contracts amounting to \$120,000. This would be 7 personnel-years, or 13 percent, less than the current year budget.

Our analysis indicates that the commission's reduced forecast of powerplant siting cases for 1981-82 is still overstated, and that the commission's budget request is excessive. The state's major utilities have recently announced that the three large thermal power plant projects in the commission's workload forecast will either be delayed or dropped. Specifically, the AFC for the Montezuma 1 and 2 coal plant has been dropped, the AFC for the Pittsburg 8 and 9 combined cycle plant has been dropped and the AFC for the California Coal plant has been rescheduled to start in late 1981. It is probable that the California Coal plant will actually be delayed beyond the budget year while major air quality problems are being resolved. In addition, the AFC for the Lucerne Valley turbine plant has slipped six months and may be delayed further until the need for this project is determined.

ENERGY RESOURCES CONSERVATION AND DEVELOPMENT COMMISSION
 —Continued

Chart 1

**California Energy Commission
 Power Plant Certification Workload Information
 (September 24, 1980 Forecast)**


As a consequence, we recommend a reduction of 9.7 personnel-years and \$24,480 in consulting contracts for power plant siting. The reduction is for technical and administrative staff for siting of large thermal power plants plus 1 personnel-year for enforcement of certification conditions. The personnel reductions are based on the commission's staffing formulas for a thermal or geothermal siting. Contracts have been reduced in proportion to the reduction in staff.

The remaining siting workload consists of three geothermal projects and one possible cogeneration project. The geothermal projects are now routine in nature and the commission has an extensive generic information base for this technology and its associated environmental problems. Cogeneration projects are new to the commission's siting program, but they are small projects, normally located at existing industrial sites.

In the event there is an increase in workload during the budget year due to changed circumstances, the Director of Finance has the authority to authorize expenditures from the Energy Commission's Reserve Account to increase the staff available for power plant certification. Such an increase appears unlikely, however.

Statutory and Fiscal Remedies Needed

We recommend that legislation be enacted which clearly defines and limits the jurisdiction of the Energy Commission, the Public Utilities Commission and the Air Resources Board for the certification of new electrical power plants and transmission lines.

We also recommend Budget Bill language be adopted requiring the Energy Commission to establish a budgeting and cost-accounting system that will report all costs for its power plant siting program.

In the foregoing discussion on the commission's power plant siting workload, we addressed only the element of the commission's budget which can be directly linked with the siting process. However, there are much broader fiscal and policy issues involving the siting process which warrant further review by the Legislature and formulation of fiscal and statutory remedies.

Five years of experience with the power plant certification process have clearly demonstrated that the "one-stop" siting approach has been partially effective in consolidating routine permits but has not worked well in resolving major controversial issues. In addition, areas of uncertain jurisdiction, confusion, overlap and, in some circumstances, serious conflict exist between the Energy Commission, the Public Utilities Commission and the Air Resources Board which impose heavy workloads, high costs and excessive schedule delays on the utilities, the interested public and the regulatory agencies.

Lack of Explicit Statutory Guidance. The Warren-Alquist Act provides only general guidance to the commission and other agencies involved in the siting of power plants. In some areas, it is silent about procedural and substantive matters. In addition, the act does not adequately define all of the interagency relationships necessary to minimize jurisdictional conflicts. Lacking explicit statutory direction, the commission has largely relied on implied authority. In so doing, the commission has failed to fully rationalize the siting process and has not established priorities for the more important decisions that need to be made.

Management Deficiencies. The commission has introduced a public forum into the siting process, but it has not adequately set limits on what is to be addressed in the biennial report, the NOI and the AFC. As a consequence, the issues brought into the cases tend to go beyond the commission's mandates, and issues handled in the NOI are, sometimes reopened in the AFC. In addition, the commission has failed to quickly identify issues in the siting cases which could be adequately addressed by separate generic studies and proceedings. This has resulted in redundant investigations of the same matters in many siting cases. The commission and

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the Resources Agency have also been unable as yet to make the AFC functionally equivalent to the California Environmental Quality Act (CEQA), even though the Legislature mandated that this be done no later than January 1979. As a result, separate EIRs are still being prepared at added cost for each project.

Regulatory Overlap and Conflict. The cities and counties have insisted that projects being sited must conform to their land use plans, and the Air Resources Board and the local air pollution control districts have maintained that they have ultimate jurisdiction over air quality matters consistent with their authority under the Federal Clean Air Act. In addition, the Public Utilities Commission has also maintained that it has (1) final authority over reliability, financial and rate implications of new power plant projects, and (2) sole responsibility for out-of-state power plants proposed by California utilities, contracts for out-of-state power, transmission lines beyond the first point of plant interconnection, conservation programs, and electrical load management. These areas of overlapping jurisdiction with the Energy Commission have burdened the utilities, the public and the regulatory agencies with excessive information and analytical requirements.

Mandated Conservation and Supply Plans. Despite a provision in the act which prohibits the commission from mandating a supply plan for any utility, the commission has exerted considerable pressure on the utilities in siting hearings to give priority to certain alternative technologies which were not originally included in the utilities' proposals. The commission's staff has also pushed to have conservation considered as an alternative to proposed power plants. This does not appear to be consistent with a provision in the act which prohibits conservation from being considered as an alternative to a proposed facility in the siting process.

Control of Staff and Reporting of Cost. The commission has not provided adequate direction for its staff in the certification process. As a consequence, the staff has been free to devote considerable time investigating alternative technologies which are of questionable value in deciding whether a proposed power plant should be built. It is also evident that technical staff, in other units of the commission not directly involved in power plant siting, are assigned to work on siting cases without all the costs of such participation being either budgeted or reported. In view of this practice, we believe that the costs of the commission's siting program may be substantially *understated*. The commission agrees that its budgetary and cost reporting systems are not identifying and reporting all costs for its siting program. This lack of fiscal controls is a specific example of the overall fiscal problems discussed above in this analysis.

Examples of Problems in the Siting Process. The following examples illustrate one or more of the problems described above:

(1) **California Coal Project.** On December 28, 1979, the Southern California Edison (SCE) Company filed an NOI with the commission for its 1,500 megawatt California Coal project which is estimated to cost \$3 billion. In December 1980, after several months of workshops and controversial hearings on this project, the commission's committee on the project recommended to the commission that the NOI be approved for the Ivanpah site in the Mojave Desert subject to certain conditions.

The conditions require SCE to: (1) participate in a one-year demonstration project to determine if selective catalytic reduction (SCR) will be the best available control technology (BACT) for the control of NO_x emissions, (2) provide a cooling water pipeline from the Colorado River to Ivanpah in order to preserve local groundwater supplies for the habitat of the desert tortoise, (3) implement conservation measures specified by the commission which may reduce growth in electrical demand and the need for the plant, and (4) undertake "parallel techni-

cal assessments (for evaluation in the AFC) to bring preconstruction engineering and design of coal gasification, residential and industrial conservation, and preferred energy technologies (photovoltaic fuel cells, wind, hydro-electric, cogeneration, solar and geothermal) to the same level of development in the AFC as the direct-fired coal option." The commission's final approval of the California Coal NOI is not expected until late January 1981.

At issue in this case is the commission's authority to require a utility (1) to undertake a high risk and costly demonstration test which may take two or more years to complete, (2) to advance the state of the art with respect to air pollution control equipment which the CEC, ARB and the San Bernardino County Air Pollution Control District do not agree on as being best available control technology (BACT), (3) to require a utility to accelerate conservation as an alternative to building the proposed plant, and (4) to mandate a supply plan that requires a utility to develop specified alternative energy sources.

(2) **Allen/Warner Valley Energy System.** The Pacific Gas & Electric Company (PG&E), Southern California Edison Company (SCE), Nevada Power Company and the City of St. George, Utah, are proposing to build the \$4 billion Allen/Warner Valley Energy System. This system calls for two coal-fired power plants generating 2,500 megawatts of electricity, 83 percent of which is intended for use in California. Two coal slurry lines with a combined length of 256 miles would pipe coal from the Alton Coal fields in Utah to the 500 megawatt Warner Valley project near St. George, Utah and the 2,000 megawatt Harry Allen plant northeast of Las Vegas.

Although the power plants are to be built outside of California, the Public Utilities Commission has conducted 100 days of hearing into the reliability, economic and financial aspects of the project and is expected to make its decision on issuance of a *certificate of convenience and public necessity* in late January 1981. The California Energy Commission intervened in these hearings. It recommended: (1) that the planning criteria in its 1980 Biennial Report be used as a basis for evaluating the need for the power plants, (2) the startup of the Diablo Canyon and San Onofre Nuclear plants and (3) more emphasis on conservation measures and specified preferred energy sources, including coal gasification "before the state licenses the direct-fired coal plant."

As in the case of the California Coal project, the primary issues in the Allen/Warner Valley project are the commission's authority to recommend that: (1) conservation not included in the application be considered during the siting process as an alternative to a facility, and (2) a utility be required to follow a state-mandated supply plan and undertake high risk preferred technology projects. Also in question in the Allen/Warner Valley project is the Energy Commission's jurisdiction over out-of-state power projects.

(3) **Geysers #16 Geothermal Project.** Since February 1980, the Pacific Gas & Electric Company has had an application for construction (AFC) pending before the commission to construct the 110 megawatt Geysers #16 geothermal plant in the southwest portion of Lake County. The AFC also provides for construction of a 230 kilowatt transmission line along one of four alternative corridors. After 11 months of hearings the commission's committee dealing with the project has extended the AFC six months until May 1981, in order to hold override hearings on transmission line issues.

At issue in this siting case is a jurisdictional dispute between the Energy Commission, the Public Utilities Commission, Lake County and Sonoma County on the licensing of (1) the *connecting* transmission line from the plant to Lakeville (the first point of interconnection) and (2) the *main* transmission and distribution line from Lakeville to El Sobrante. the CEC insists that it has jurisdiction over all transmission lines to a *functional point of delivery* of the power from the new

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plant. The PUC maintains it has jurisdiction over all lines *beyond the plant's first point of interconnection*, and the counties insist that all lines must conform to their *land use plans*.

It is possible that the override hearings may reopen previous controversies on the transmission lines which were decided after 13 months of NOI hearings. There is concern that if the hearings are reopened, jurisdictional disputes between the Energy Commission, the Public Utilities Commission, the Air Resources Board and the Lake County Air Pollution Control District over control of hydrogen sulfide (H_2S) emissions will also be reopened. These disputes have already consumed several months of hearing time and have appeared to be nearing settlement. Normally, a geothermal NOI takes no more than nine months.

(4) **Pittsburg 8 and 9 Combined Cycle Plant.** In March 1980, the commission approved an NOI for the Pacific Gas and Electric Company's 1,600 megawatt Pittsburg 8 and 9 thermal power plant. The location of the plant would be at Pittsburg in Contra Costa County. The project was dropped by PG&E in December 1980, just before the AFC was to be submitted to the commission. However, a major dispute over transmission line corridors erupted in the NOI which was taken to the courts and remains unsettled.

As in the Geysers #16 AFC, the dispute in this case centers around jurisdictional conflicts between the Energy Commission and the Public Utilities Commission on licensing of new transmission lines in Contra Costa County which are beyond the plant's first point of interconnection. In order to resolve this dispute, the PG&E and the PUC initiated litigation in the San Francisco County Superior Court against the CEC. In March 1980, the court decided that the CEC does not have jurisdiction over transmission line corridors beyond the plant's first point of interconnection. Subsequently, the CEC has requested the Attorney General to file an appeal with the Appeals Court which is currently pending.

Legislation and Budget Bill Language Needed. These examples show that new power plants are subjected to overregulation and high licensing costs, all of which must ultimately be paid by the taxpayers and ratepayers. To remedy this situation, clarification is needed by the Legislature to make the power plant certification process more effective and reasonable. In particular, the decision-making process should be defined in more precise terms, and the responsibilities and limits of jurisdiction specified for all of the regulatory agencies involved in the process.

In order to ensure that the commission provides the Legislature with valid cost data and a complete budget estimate for its power plant siting program, we recommend the following Budget Bill language:

"The Energy Commission shall implement, beginning July 1, 1981, a budgeting and cost reporting system to budget, control and report all direct, indirect and contract costs associated with its power plant siting process."

PETROLEUM INFORMATION, EMERGENCY PLANNING AND FUEL ALLOCATION

The Supplemental Report to the 1980 Budget Act directed the Energy Commission to report on its petroleum fuels information program and its implementation of Chapter 1055, Statutes of 1980 (SB 1444), which expands that program. It further directed the Legislative Analyst to comment on the commission's report in the 1981 Budget Analysis.

In November, the commission's staff issued a report on the commission's fuel analysis and monitoring work. Much of the report addressed tangential, long-range fuel issues, such as studies of the potential for modifying refineries and producing

heavy oil, rather than addressing the information system. The staff report indicated that the commission will not begin to implement the requirements of SB 1444 for a comprehensive and timely information system until March 1981, although some planning work and consultant studies for the program were begun in 1980. Meanwhile, the commission continues to use its existing petroleum information system.

In order to comment meaningfully on the commission's report, it is necessary first to discuss the entire subject of petroleum information systems, emergency planning and fuel allocation. This background discussion is necessary for evaluation of the commission's report. We have also expanded the scope of our analysis to include all of the commission's work related to the fuel information system, the adoption of a new energy emergency contingency plan in 1981, the operation of the Fuel Allocation Office and the administration of county gasoline consumption targets.

Overview

The commission's fuel related activities should constitute an integrated, overall effort that has been planned and designed to function smoothly and effectively. The commission's current efforts are, however, disjointed. In part, this reflects the fact that separate pieces of legislation authorize them. The primary finding of this analysis is that the commission does not have a clear delineation of its fuel information system, emergency planning and fuel allocation activities and the relationships between them.

Our recommendations on the 1981-82 budget request for petroleum information, emergency planning and fuel allocation are interspersed in the text with the appropriate subject matter.

Framework of Federal Law

Present Federal Price Controls and State Allocations. The state's options for dealing with a petroleum shortage are determined in large measure by federal law. The principal federal law for past and present state actions is the Emergency Petroleum Allocation Act of 1973 (EPAA), which established the existing framework for oil price controls and the allocation of petroleum products. Experience under federal price controls has shown that even a relatively small shortfall in supply can cause lines to form at gasoline service stations. The decisions of purchasers and suppliers that normally balance supply and demand become ineffective under price controls when fuel users desire to buy more fuel at the ceiling price than is available. The federal allocation system has attempted to spread the available supply equally among bulk fuel users and retail service stations in proportion to their past fuel purchases.

Federal regulations require the oil companies to set aside fuel each month for state allocation. The state's role has been to allocate this "set-aside" fuel to users with hardship and emergency needs, and to supply fuel to those users awaiting assignment of, or an increase in, their allocation from the federal Department of Energy (DOE).

The authority in the EPAA for federal price controls and allocation, along with the authority for the state set-aside program, will expire on September 30, 1981. In the absence of a federal program, the state probably could not reimpose price controls by itself because the controls (1) would probably be an interference with interstate commerce and (2) would be counterproductive because fuel suppliers would divert fuel to states with uncontrolled prices.

Prospective Federal Role in a Future Emergency. A sudden, substantial reduction in fuel supplies could quickly drive prices up to the point that essential services could not pay the price and widespread economic disruption would occur.

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The current framework for federal action under such circumstances is the Emergency Energy Conservation Act of 1979 (EECA), rather than the price control and allocation authority which expires on September 30, 1981. The EECA authorizes the President to establish fuel conservation targets for each state. In an emergency, the Governor of each state could then implement a state emergency conservation plan using delegated federal authority, provided that the state plan receives approval from the Department of Energy (DOE). The Energy Commission is preparing its new energy emergency plan for implementation under the EECA as well as under state law.

A state's emergency plan can contain any measure which does not violate state or federal law, impose a tax or fee not authorized by state law, or unduly burden interstate commerce. State fuel allocation measures are not explicitly prohibited, but as a practical matter they would not be effective unless incorporated in a national allocation scheme managed and developed by the federal government. There are two reasons for this. First, allocations of crude oil or refinery products by states with major refining, producing and oil importing facilities, such as California, would necessarily affect the fuel supplies of other states. The federal government could not permit California to retain a disproportionate share of western fuel supplies merely because it has major fuel facilities within its borders.

Second, fuel allocation would continue to be ineffective without price controls and price controls could not effectively be imposed by California alone. Because EECA does not authorize price controls, Congress would have to enact additional legislation before price controls and allocations could be imposed at the federal level or could be made effective at the state level.

If the shortage equals or exceeds 20 percent of normal fuel supplies, the President may impose gasoline rationing, under EECA, provided that neither house of Congress vetoes his action. The President may also implement rationing in a less severe shortage with Congressional approval. Under existing federal law and regulations, local boards would administer a state reserve of ration coupons for emergency and hardship needs.

The State's Limited Role in a Future Emergency. After September 1981, the state will not have the authority to allocate or ration petroleum supplies, except under a reimposed federal authority and a delegation of authority to the state in the case of a severe national shortage under EECA. The federal government would necessarily play the leading role in allocating crude oil and refined products among the states, in controlling prices, in establishing policies for fuel distribution and in determining state actions.

One of the few relatively certain features of any future federal fuel emergency program is that it will include a provision for the states to distribute some or all of their portion of the national fuel supply to fuel users. This has been a consistent feature of federal rationing and allocation programs, beginning in World War II and continuing through the current state set-aside program. Only state and local governments are close enough to the fuel users to understand and respond to the critical needs of police and fire departments, hospitals, schools, transit systems, farms and businesses.

After September 1981, the Governor and the Energy Commission will need to monitor major developments in the fuel markets which might affect the state and need to understand national fuel policies in order to advise the federal authorities on California's needs. Presumably this means that the primary effort of the state should be to understand California's critical fuel needs at the user level, and to develop the mechanisms to measure and supply those needs to the extent possible in an emergency. This objective is substantially different from the commission's

emphasis on the "big-picture" of petroleum supplies.

Energy Commission Emergency Planning

The California Emergency Services Act allows the Governor to declare a state of emergency and act to mitigate a "sudden and severe energy shortage." In addition, Chapter 8 of the Warren-Alquist Act requires the Energy Commission to recommend to the Governor and the Legislature an emergency energy supply distribution plan for use during a sudden and serious fuel shortage. *Chapter 8 clearly puts the emphasis of emergency planning on selecting priority fuel users and supplying them with fuel.* In particular, the plan must provide for (1) identification of priority fuel users, (2) continuation of essential services and the protection of public health, safety and welfare, (3) maintenance of a sound, basic state economy, (4) elimination of wasteful, uneconomic and unnecessary energy use during a shortage, and (5) reduction of energy use by those most able to accommodate such reductions.

The commission's existing energy emergency plan was adopted in 1976. It established general priorities for fuel users, but did not specify a mechanism for allocating amounts or distributing fuel. An update of the plan is required now by the Warren-Alquist Act, and the commission expects to release a draft of the new plan in February. As of early January 1981, the commission had not yet released any proposals for the new contingency plan or held hearings on the plan. This plan presumably will serve as the state's emergency energy conservation plan under EECA, to the extent that it is approved by DOE.

Reduction in Fuels Assessment Element

We recommend a reduction of \$2,457,803 and 25.8 personnel-years for the Fuels Assessment Element of the commission's Regulatory and Planning Program, pending an explanation by the commission of its emergency planning, and petroleum information and fuel allocation systems and a justification of the funds and positions requested.

Work on emergency planning and the petroleum information system is included in the Fuels Assessment Element of the commission's Regulatory and Planning Program, although there may be some additional resources for this work in other commission programs, such as Policy Management and Administration. The budget requests \$2,457,803 for the Fuels Assessment Element in 1981-82. This is an increase of \$1,417,787, or 136 percent, over the estimated expenditure of \$1,040,016 in the current year. The commission is also requesting an increase of 5.4 personnel-years, from 20.4 personnel-years in 1980-81 to 25.8 personnel-years in 1981-82. No budget change proposal has been made available to explain how the commission intends to use the additional funds and staff, what it intends to accomplish with these resources, or whether state or federal funds will be used.

The budget proposal presented by the Assessments Division staff to the commission in September 1980 indicated that the Fuels Assessment element in 1981-82 would "shift more toward working on specific fuels problems," but the staff document noted that "currently these directions have not been set." The staff did, however, propose a range of issues for study, including modifying refineries to process California heavy crude oil, incentives for increased production of heavy crude oil, studies of natural gas production and resources in the state and contingency planning. With respect to emergency contingency planning, the staff proposed to "carry out actions for long-term vulnerability reductions."

Report Pursuant to Supplemental Report Language. The report describing its petroleum fuels information program and the implementation of SB 1444 prepared by the commission in response to the supplemental report directive, indicated that the budget proposes contracts in the following general areas for funding within the fuel analysis and monitoring program during 1981-82:

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Feasibility tests of infield oil upgrading	\$200,000
Major oil company profit and expenditure accounting practices	100,000
Development of unconventional crude oil resources in California	100,000
Low BTU natural gas resources in California	100,000
Potential conventional gas resources in California	100,000
Gasoline consumption verification	100,000
Strategic security planning	300,000
Refinery production model	120,000
Energy emergency simulation workshops with local governments	50,000
Expert witnesses for federal proceedings	50,000
Total	\$1,220,000

Of the total \$1,220,000 proposed for these contracts, only \$150,000 (for gasoline consumption verification and local government workshops) is directly related to the immediate problems of emergency planning and fuel allocation. The commission will focus little attention and resources on the immediate task of determining the state's critical fuel needs and how to provide fuel to meet them in a shortage. Instead, it is concentrating its efforts on long-term supply issues through studies of fundamental changes in the oil production, refining and marketing industries, over which it has no jurisdiction. The projects related to gathering information about current oil supply and distribution concentrate on monitoring the state's import, refining and export of petroleum, which are important, but over which the federal government, rather than the state, will have primary jurisdiction during a shortage. In addition, the commission has not provided satisfactory information describing the assignment of staff within the Fuels Assessment Element.

According to staff, the commission also expects to receive about \$1.3 million from the DOE to plan for gasoline rationing and other emergency actions. The budget does not indicate where or how this money will be used. In the absence of a specific proposal from the commission showing that the emergency planning of its Fuels Assessment Element will address fuel allocation in periods of shortage, as provided under federal or state law, we must recommend deletion of the requested funds and positions. If the commission develops such a proposal prior to budget hearings, we will reconsider our recommendation.

The petroleum information system should provide information that permits the commission and the state to track developments in petroleum supply and use, to select appropriate responses to those developments, and to administer equitably and effectively any fuel allocation or rationing system.

Statutory Authority for Petroleum Information. Sections 25320-25323 of the Public Resources Code (Warren-Alquist Act) require major oil producers, marketers and refiners to submit quarterly reports to the Energy Commission containing the following data:

- Sources and amounts of oil supplies
- Refinery output and capacity for each product
- Crude oil and petroleum product stocks
- Potential for adjusting refinery output
- Crude oil and products distributed within the state and exported

Quarterly reports are also required from electric and gas utilities and from major natural gas producers or marketers. The commission must publish a summary of the submitted information within 30 days.

The commission now publishes three regular reports which contain information about petroleum fuel supplies. *The Quarterly Fuel and Energy Summary (QFES)* is the required summary of information from the quarterly reports submitted by

the petroleum, natural gas and utilities industries. The *Monthly Oil Report* is a compilation of data from the federal government, various state agencies and other public sources. The report presents national and California information on crude oil production, on imports and stocks and on the consumption of petroleum fuels, especially gasoline and diesel fuel. It also summarizes recent oil and fuel price trends. *Energy Watch* is another monthly publication. It deals primarily with electricity and natural gas supplies, although it does contain some information about petroleum.

Section 25320 of the Public Resources Code directs the commission to use the data it collects for three purposes:

1. To assess the nature and extent of any energy shortage.
2. To assess the economic and environmental impacts of any energy shortage.
3. To enable the state to take actions to meet and mitigate any energy shortage.

Although the commission conducts some studies in the three areas above, the commission's report did not discuss how it uses the data from the quarterly reports. Commission staff has indicated to us that it has developed an energy supply "index" which compares recent supply data and demand trends with those of comparable past periods. Staff of the Fuel Allocation Office indicate that it has not used the quarterly fuels information collected by the commission in making gasoline and diesel allocations.

Enactment of SB 1444. Chapter 1055, Statutes of 1980 (SB 1444), increases the scope and frequency of the reports which the petroleum industry must submit to the Energy Commission. It also requires the commission to analyze and interpret the fuel supply information it receives, and to make quarterly and annual reports to the Legislature and the Governor.

More specifically, SB 1444 requires major oil marketers and refiners to submit monthly, rather than quarterly, reports within 30 days after the end of the reporting month. California oil producers are no longer required to file monthly or quarterly reports with the commission. Instead, the commission will rely on monthly production statistics published by the state Oil and Gas Supervisor. Under the quarterly reporting system, which is still in effect, producers, refiners and marketers must also include a forecast of their supplies and operations for the following year. Commission staff indicate that these forecasts have not been very useful or accurate because they often are not comparable between companies and use a variety of forecasting techniques. Under SB 1444, the monthly reports by refiners and marketers must include quarterly forecasts rather than annual forecasts. The commission must publish a quarterly report summarizing, analyzing and interpreting the data it has received within 70 days after the end of each quarter. The first of these reports is due on March 10, 1981.

The new law also requires annual reports by major refiners and marketers on their capacity, utilization and methods of transportation. Major petroleum producers and transporters, and major petroleum storers must report their capacity, inventories, amounts of products handled during the year, and methods of transportation. Additionally, integrated refiners (companies that produce, refine and transport petroleum and have more than 500 branded retail outlets in California) must submit an annual forecast of all industry operations that will eventually be included in the industries' monthly reports covering the states of Arizona, Nevada, Washington, Oregon, California, Alaska, and Hawaii. Beginning in 1983, these forecasts must be for California alone. By April 15 of each year, the commission must publish a report which describes petroleum supply, demand and pricing trends, and discusses industry investment practices. The report must also contain specific recommendations for legislative or administrative action to stabilize demand or increase supplies.

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SB 1444 places new responsibilities on the Energy Commission for the analysis and interpretation of the information submitted by the petroleum industry. The commission's new tasks include analyzing the forecasting methodologies used by the petroleum industry in California, monitoring fuel prices and the reasons for any changes in them, analyzing profits and related financial factors for the petroleum industry and determining what efforts the industry is making to expand refinery capacity or increase petroleum supplies. SB 1444 specifically mandates the development of a petroleum information system that will enable the state to "meet and mitigate" shortages.

Progress in Implementing SB 1444. Our analysis of the staff report plus discussions with staff in January lead us to the following findings on the commission's efforts to implement SB 1444:

- (1) The commission continues to use its old fuels information system because a program to meet the mandate of SB 1444 has not been implemented.
- (2) The specific data which the industry must report and the frequency of comprehensive reports under SB 1444 has not been determined.
- (3) No data analysis system has been developed.
- (4) The commission does not know how it will use the data which it will collect.
- (5) The commission has not indicated how it would use the data it has been collecting in order to mitigate fuel shortages if any occur.

The program mandated by SB 1444 poses difficult, perhaps insoluble, problems for the commission at this time. The statute lays out detailed information which the commission must collect from the oil industry and other sources, but it does not tell the commission how to use their information. Until the commission, the state and the federal government make further progress in formulating emergency plans, it is not possible to determine whether all of the information to be collected is needed, whether other types of data are needed (such as the fuel needs of priority users), and what the precise form and frequency for the collection of data should be. Until more refinement occurs or decisions are made, the petroleum information program will do little more than compile data of historical interest.

Prediction is an Unrealistic Goal. Several decisions must be made in designing a petroleum information system and an emergency action plan. One is the level or point in the fuel supply and distribution network to collect information or initiate control actions. Another is whether the information system seeks to predict emergencies or to measure and mitigate them after they occur.

Prediction probably is not a realistic goal for an information system. Gradual trends in fuel supply and demand should not require emergency action. The market will generally make its own adjustments, unless federal price controls or allocations intervene. Critical fuel shortages are likely to be caused by acts of war or political upheaval in major oil-producing nations, or by physical disasters affecting oil facilities such as the Alaska Pipeline. Neither type of event can be predicted reliably by a fuels information system. Even if predictions were possible, there probably would not be any action which California could take to prevent a shortage.

For example, in October 1978, commission staff noticed trends in the QFES information which indicated a developing shortage in the supply of diesel fuel. In response, the commission authorized the oil companies to release diesel fuel at the beginning of the month which the companies normally have held in storage under the state set-aside program until the end of the month. This one-time expedited

release may have delayed the developing shortage somewhat, but it did not prevent it.

Suggested Fuel Information System. As we noted earlier, a state petroleum information system and allocation actions taken pursuant to the information system would be most effective if the system were designed to ensure that the available fuel supplies are distributed to those priority users who contribute most to the health, safety and critical economic well-being of California. The distribution of crude oil supplies, the adjustment of refinery output, and the allocation of fuel supplies among the major oil companies must be primarily a federal responsibility because of the interstate and international implications of this control.

The state's petroleum information system would apparently be most useful if it concentrated on the following tasks:

1. Determining the fuel consumption and needs of high priority users.
2. Understanding the fuel distribution system within California so that state officials would know where fuel is located and how to move it to priority users.
3. Maintaining an overview of the operations and capabilities of the state's refineries to respond to emergencies.
4. Compiling a data-base on state fuel consumption, oil production, imports and exports for use in policy studies, decision-making and providing advice to the federal government.

Flow Chart Needed

We recommend that the Energy Commission present to the fiscal subcommittees a flow chart which will show the specific sources of information to be gathered under the Warren-Alquist Act and SB 1444, the type of analysis to be given the information, the specific information produced and its intended uses.

The Energy Commission has prepared working documents which show long lists of data that the commission will collect and analyze for the petroleum information and the fuel allocation systems. We are unable to judge the value of collecting much of this information because it is not apparent what will be done with it or what can be done with it. It is not clear whether portions of the information will be duplicative, or whether there are gaps in the information gathering and analysis.

Under these circumstances one of the best tools available is a flow chart to show the information collected, how it will be used and what the end products are. Such a chart would assist in organizing the flow of data, help to evaluate the need for data and assist the Legislature in evaluating what the commission can accomplish. The flow chart must be sufficiently specific to make clear how the petroleum information system will work.

In order to assist both the commission and the Legislature, we recommend that the commission prepare a flow chart for budget hearings which will diagram its information flow, decision-making and fuels allocation work.

Reduce Funding for SB 1444

We recommend elimination of \$205,000 proposed to continue six new positions for the implementation of SB 1444 because the commission appears to have diverted existing positions to other purposes.

The 1981-82 budget requests six new positions for SB 1444. The commission's proposed budget for 1979-80 included eight positions to compile information and publish *QFES* and *Energy Watch* (described above). At the time gasoline lines became a problem in the spring of 1979, publication of *QFES* was more than a year behind. During hearings on the 1979-80 budget, the commission indicated that it had diverted these eight positions to fuel allocation and forecasting functions.

In order to bring the publications up to date, the Legislature augmented the commission's budget for 1979-80 by \$410,000 and 10 positions. Additionally, the

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Legislature added six positions for short-term oil and gas forecasting and emergency planning, as requested by the commission. According to Assessments Division staff, however, some of these new positions were also diverted to the Fuel Allocation Office. Moreover, in 1980-81, the commission received 18 additional positions for the Fuel Allocation Office, but it is using only six of these positions at present. In this confused situation, the Assessments Division claims that an unknown number of borrowed positions were never returned to it.

Given the above, we see no justification to approve six new positions for SB 1444 activities. If the commission is able to explain what it has done with the positions provided for these types of activities in previous years and can justify the need for the six additional positions requested in the budget, we will reconsider this recommendation.

Fuel Allocation

Current federal regulations governing the sale and distribution of petroleum products authorize the state acting through the Fuel Allocation Office (FAO) to require oil companies to withhold up to 5 percent of their gasoline and 4 percent of their diesel fuel supplies from the market each month. Chapter 803, Statutes of 1980, (AB 2604), provides statutory authority, guidance and funds for the FAO in the Energy Commission to administer the set-aside. Previously, the FAO operated under the authority of an executive order issued by the Governor during the fuel emergency in April 1979.

AB 2604 gives agriculture, trucking, and emergency and essential services first priority for set-aside fuel and streamlines the application procedure for agriculture and certain other fuel users. The legislation also appropriated \$640,727 (including an emergency reserve of \$390,000) to support the office. In addition, the 1980 Budget Act provided \$427,251 for the office, so that the total available funding in 1980-81 is \$1,067,978.

For 1981-82, the commission is requesting \$68,000 from the Special Account to fund the FAO through September 1981 when federal authority for the set-aside terminates. This is consistent with AB 2604, which terminates the FAO when federal authority for the set-aside ends (or January 1, 1982, at the latest).

Federal allocation rules also determine how much gasoline from the amount that is not under set-aside may be purchased by wholesale buyers from their "assigned supplier." Each supplier down to the wholesale level must allocate his available supply among his established customers in proportion to the customers' purchases during a base period. Some purchasers, such as farmers, are guaranteed at least the amount they purchased in the base period. Establishment of a base period amount, changes in a base period amount, designation of a supplier for new businesses, and clarification and enforcement of the allocation rules require action by DOE, which can take many months. The state set-aside provides some emergency relief from this cumbersome system. The state set-aside program, however, does not increase the available fuel supply or provide special prices to anyone. Its primary function is to make the federal allocation system more flexible.

Since mid-1979, gasoline supplies have exceeded demand, and the price of gasoline has moved below current federal ceiling prices. During this time, DOE has liberalized its allocation and pricing rules. The result is that market prices have been keeping supply and demand in balance during 1980. Consequently, applications to the FAO for set-aside fuel have decreased from a peak of 5,600 in September 1979 to 150 in November of 1980 (for both gasoline and diesel fuel).

The 1979 Shortage. During the fuel emergency in 1979, the allocation of gasoline by the FAO to those with emergency and hardship needs was necessary for two reasons:

1. Gasoline prices rose to their maximum amounts under federal regulations, so that the market place was no longer effective in allocating gasoline.
2. The federal allocation system could not make rapid adjustments in the distribution of supplies to meet changes in demand.

On the other hand, diesel fuel was not subject to price controls or general allocation during the 1979 fuel shortage. The only control was the 4 percent state set-aside which was allocated by the FAO. It should be noted that when 4 percent of the diesel fuel supply was set aside, the set-aside action itself tightened an already tight market. As a consequence of the shortage and the set-aside, there were many applications to FAO for set-aside diesel fuel.

Even though the price of diesel fuel was not controlled and it should have been available at market-clearing prices, some users were unable to obtain it and went to the FAO for an allocation from the diesel fuel set aside. This occurred because some distributors had difficulty obtaining additional diesel fuel from their normal suppliers, because of contract limitations, and because the oil companies decided to allocate the diesel that was not in the 4 percent set-aside among their customers under a voluntary allocation program. Thus, there was an incentive for distributors to encourage their customers to seek fuel from the set-aside because an allocation from the set-aside would increase the distributor's total sales volume. Suppliers may also have been concerned that if they voluntarily served new customers, they would have to supply those customers if federal controls were imposed on all diesel fuel.

In the past, the commission's fuels information program has not provided information which the commission could use to mitigate a shortage. During the 1979 fuel emergency, the FAO's general operating procedure was to allocate less gasoline and diesel fuel than the amount requested by most applicants. It attempted to provide some fuel for each applicant. This strategy did not succeed because there were months when the set-aside was entirely allocated and many applications were not even examined by the FAO.

Compared to the 20 percent shortage which would trigger federal gasoline rationing under EECA, the 1979 fuel emergency involved little, or perhaps, no actual shortage of fuel. During the second quarter, middle distillate (including diesel) sales in 1979 were only 2.3 percent *less* than in 1980, and gasoline sales were actually 2.9 percent *higher* in 1979 than in 1980, according to Energy Commission reports. Thus, the 1979 shortage provides no indication of the problems that would arise in the event of a significant and sudden drop in fuel supplies of more than 20 percent. Obviously, adequate emergency actions will require better knowledge of both fuel supplies and needs than was available in 1979 as well as a better plan of action.

Eliminate SB 1390 Funding

We recommend (1) a reduction of \$100,000 to eliminate contract funds for verification of data on gasoline consumption by counties and (2) elimination of additional staff to audit prices charged by gasoline stations.

Chapter 1326, Statutes of 1980 (SB 1390), ended the emergency requirements imposed by the Governor on gasoline sales (odd-even restrictions and requirements for stations to maintain specified hours of operation). In place of these requirements, SB 1390 established the goal of limiting future per-capita gasoline consumption in each county during each month to no more than 95 percent of the average consumption for that month during the base period July 1, 1977 through June 30, 1980. It permitted counties to impose odd-even and other sales restrictions in order to meet this goal. If gasoline consumption in any county exceeds the county goal for three consecutive months or more, SB 1390 authorizes the Gover-

ENERGY RESOURCES CONSERVATION AND DEVELOPMENT COMMISSION —Continued

nor to impose odd-even or other sales restrictions, as well as any measures in a state energy emergency conservation plan approved by the federal government.

The legislation requires gasoline stations and fleet operators to include the amount of gasoline they sell (or use) each month in their sales tax reports to the Board of Equalization. This information will be used by the Energy Commission to determine whether gasoline use in any county exceeds the 95 percent limit. The board is requesting nine positions and \$240,286 from the Special Account in 1981-82 to collect and process this information. In addition, the commission's budget includes \$100,000 for contract work to perform spot checks in order to verify the accuracy of the information submitted to the board.

The county gasoline sales information will not provide a basis for timely action to allocate gasoline. By the time the board compiles the reports and transmits the data to the Energy Commission, the data will be two to three months old. Also, there is no data to establish the base period for each county to determine whether the 95 percent limitation is exceeded.

Even if these technical problems could be solved, two fundamental concerns remain. First, the procedures in SB 1390 authorize the Governor to impose odd-even (or other measures to reduce demand) only when the sales exceed 95 percent of the base, even though supplies may be plentiful. Experience during 1979 and 1980 has shown that motorists and gasoline stations do not observe odd-even restrictions unless they perceive a shortage. Consequently, odd-even is not a useful means of reducing long-term demand. Shortages can occur when sales figures are high (because stocks are being suddenly drained) or low (because stocks are already depleted). Gasoline lines and closed stations are simpler and more immediate indicators of a problem than the calculated 95 percent of base sales.

Second, there is no compelling need for county-by-county data. Trends or shortages in gasoline use are unlikely to be confined to single counties. The Energy Commission now collects comprehensive petroleum supply and distribution information from refiners and major fuel marketers. The commission's data could be disaggregated to show some supply data for the major regions of the state. We therefore recommend the elimination of the \$100,000 budgeted for verification of the data submitted by gasoline stations to the Board of Equalization.

Gasoline Station Price Audits. The Energy Commission plans to audit gasoline stations to determine whether they are violating federal price control regulations or are unnecessarily withholding supplies. These audits are to be conducted in cooperation with the Board of Equalization, and are mandated by SB 1444. The commission indicates that it does not plan any audits until late spring of 1981. However, authority for federal gasoline price controls expires on September 31, 1981. This expiration would eliminate the basis for the audit program only a few months after it begins. Because several months are usually needed to train personnel and resolve initial problems in a new program, we recommend that the commission perform this task to the extent possible with existing personnel. The commission's request for six new positions to implement SB 1444 includes half a personnel-year for the audits. Our recommendation above for the elimination of funds for the commission's Fuels Assessment Element include all six of these positions.

Salton Sea Solar Pond Demonstration Project.

The budget requests \$2,250,000 for the Energy Commission to participate in a 5 megawatt solar salt pond project at the Salton Sea for generation of electric energy. The commission estimates that the total project cost will be approximately \$20 million. Costs will be shared by the Southern California Edison Company, the

federal Department of Energy and other participants. A feasibility study is underway, and construction is proposed to start in 1982.

The solar salt pond concept has been developed in Israel. It requires a large, shallow body of water consisting of fresh water on top of heavy, salt water. The fresh water serves as an insulation layer so that sunlight heats the heavy salt water almost to the boiling point. The hot saltwater is piped to the generating plant where it is used to heat a secondary fluid which has a lower boiling temperature than water. The resulting vapor is piped to a turbine which turns an electric generator. The salt water is then returned to the pond. The Salton Sea appears to be a promising location for such a project.

The project may have merit. However, the commission's justification for the \$2,250,000 request consists of one page of general material. No effort was made to evaluate the technical feasibility of the project, to explain its current status, the financial arrangements proposed or who will direct the project, or to discuss the commission's interest in the project. (We note that the commission gives some priority to the project because 5 megawatts of electric generation from solar ponds was included in the commission's Preliminary Report on Electricity Tomorrow.) If the commission submits justification for the \$2,250,000 budget request, we plan to review the material and report to the Legislature on it.

Resources Agency

STATE SOLID WASTE MANAGEMENT BOARD

Item 338 from the General
Fund and various funds

Budget p. R 31

Requested 1981-82	\$13,772,828
Estimated 1980-81	13,075,615
Actual 1979-80	12,386,999
Requested increase (excluding amount for salary increases) \$697,213 (+5.3 percent)	
Total recommended reduction	\$2,028,570

1981-82 FUNDING BY ITEM AND SOURCE

Item	Description	Fund	Amount
338-001-001—General Support		General	\$1,581,735
338-001-389—Grants, Loans, and Administrative Support		Solid Waste Management	12,191,093
338-001-890—Hazardous Waste Management and Miscellaneous Support		Federal Trust	(2,521,044)
Total			\$13,772,828

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

Analysis
page

1. Elimination of Solid Waste Management Fund. Recommend enactment of legislation eliminating the Solid Waste Management Fund and substituting a direct appropriation from the General Fund. 487
2. *General Expense. Reduce Item 338-001-001 by \$69,955 and Item 338-001-389 by \$100,818.* Recommend deletion of overbudgeted general expenses. 489

STATE SOLID WASTE MANAGEMENT BOARD—Continued

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| 3. <i>New Positions. Reduce Item 338-001-389 by \$207,400.</i> | Recom- | 489 |
| mend deletion of six proposed new positions. | | |
| 4. <i>Planning. Reduce Item 338-001-389 by \$138,617.</i> | Recommend | 490 |
| deletion of four planning positions proposed to be transferred from federal to state funding. | | |
| 5. <i>Grants. Reduce Item 338-001-001 by \$1,511,780.</i> | Recommend | 491 |
| reduction in board grant expenditures, to be implemented by eliminating General Fund appropriation to board. | | |
| 6. Hazardous Waste. | Recommend legislation repealing statutory ban on Solid Waste Management Board participation in hazardous waste management. | 492 |
| 7. Budget Bill Language. | Recommend deletion of unnecessary Budget Bill control language. | 493 |

GENERAL PROGRAM STATEMENT

The State Solid Waste Management Board is responsible for (1) ensuring that nonhazardous wastes are handled and disposed in an environmentally sound manner, (2) reducing the amount of waste produced, and (3) encouraging the recovery of materials and energy from the waste stream. Under existing law the primary responsibility for solid waste management and associated planning is assigned to local government.

ANALYSIS AND RECOMMENDATIONS

The budget proposes total appropriations of \$13,772,828 from state funds for support of the Solid Waste Management Board in 1981-82. This is an increase of \$697,213, or 5.3 percent, over estimated current year expenditures. This amount will increase by the amount of any salary or staff benefit increases approved for the budget year. A net increase of 8.6 positions is requested, which would provide for a total of 102.3 personnel-years in 1981-82.

In addition to \$13,772,828 in state funds, the board proposes to spend \$848,069 from federal funds (excluding a pass-through of \$1,672,975 to the Department of Health Services). Thus, total proposed expenditures in 1981-82 are \$14,620,897, which is a decrease of \$611,265, or 4.2 percent below total expenditures in the current year.

Significant Budget Changes

Staff for the board indicate that payment of the lump sum salary increase authorized by Chapter 192, Statutes of 1979 (SB 91), will necessitate a reduction of approximately \$95,000 in the amount available for grants in 1980-81.

Table 1 summarizes the major changes in the board's 1981-82 budget. These changes fall into three categories:

(1) **Replacement of Federal Funding.** Federal funding in 1981-82 is expected to be \$789,200 less than the amount needed to continue those activities that were federally-funded in the current year. Staff for the board have determined that loss of these funds would require a reduction of 19.9 positions and associated expenses. The budget proposes to eliminate 5.4 of these positions, for a savings of \$216,600. The remaining 14.5 positions are proposed to be continued and funded out of the state Solid Waste Management Fund, at a cost of \$572,600.

(2) **Transfer of Contract Work to New State Positions.** The budget proposes to perform certain functions "in-house" that currently are performed under contract. Four new positions are requested for public relations activities. These positions are needed because the State Personnel Board has determined that some activities now performed by the board's public relations consultant can be, and

therefore must be, performed by civil service personnel. The Personnel Board has stated that, as a result of this finding, it will not approve the renewal of this contract in its current form.

Three new positions are requested to implement the Solid Waste Environmental Education Program (SWEEP). Staff for the board indicate that the total cost for the program can be reduced if the program is implemented by the board's staff rather than by outside consultants.

These new positions result in a shift of \$247,700 from contracts to salaries and wages, with no net increase in board expenditures. A public awareness program is important to the success of the solid waste program and the increase in state staff is nominal. We therefore recommend that the board's proposal be approved.

(3) **Program Expansion.** The budget proposes the addition of six new positions, at a cost of \$207,400 from the Solid Waste Management Fund. The positions are to augment the board's staff in the areas of market development, legal services, and administration of litter, recycling and resource recovery grants.

Table 1
State Solid Waste Management Board
Proposed Budget Adjustments
1981-82

	<i>General Fund</i>	<i>Special Funds^{a, b}</i>	<i>Federal Funds^c</i>	<i>Total</i>
1980-81 Base Budget (Revised)	\$1,596,945	\$11,478,670	\$2,156,547	\$15,232,162
1. Changes Due to Budgeted Reduction in Federal RCRA Grant				
a. Activities transferred from federal to state funding	—	572,600	-572,600	—
b. Activities eliminated	—	—	-216,600	-216,600
2. Program Expansion				
a. Administration of SB 650 grants	—	96,000	—	96,000
b. Legal Staff	—	41,000	—	41,000
c. Market Development	—	70,400	—	70,400
3. Internalization of Contract Work	—	—	—	—
4. Baseline Changes				
a. Salary and operating expense price changes	-4,460	—	-3,457	-7,917
b. Reduction in SB 650 grants	—	-67,577	—	-67,577
c. Removal of one-time federal grant from baseline	—	—	-515,821	-515,821
d. Special Adjustment Reduction	-10,750	—	—	-10,750
Total 1981-82 Budget Changes	-15,210	712,423	-1,308,478	-611,265
Totals, 1981-82 Proposed Budget	<u>\$1,581,735</u>	<u>\$12,191,093</u>	<u>\$848,069</u>	<u>\$14,620,897</u>

^a Solid Waste Management Fund.

^b Excludes General Fund loan repayments of \$2,500,000 in 1980-81 and 1981-82.

^c Excludes pass-through to Department of Health Services of \$1,616,042 in 1980-81 and \$1,672,975 in 1981-82.

Eliminate Solid Waste Management Fund

We recommend that legislation be enacted to eliminate the Solid Waste Management Fund and substitute a direct appropriation from the General Fund to the board as the source of funding for the board's activities.

The board receives state funding from the General Fund and the Solid Waste Management Fund.¹ When the Solid Waste Management Fund was initially estab-

¹ Prior to the passage of Chapter 364, Statutes of 1980 (SB 261), the Solid Waste Management Fund was designated as the Litter Control, Recycling, and Resource Recovery Fund. This analysis uses "Solid Waste Management Fund" throughout to refer to both funds.

STATE SOLID WASTE MANAGEMENT BOARD—Continued

lished, it received revenue from an assessment on retailers, wholesalers and manufacturers of specified products which contribute to the generation of waste and litter. These revenues could be used only to support the state litter control, recycling, and resource recovery program and directly related overhead and administrative expenses. The General Fund financed the board's initial statewide planning and overhead costs. Thus, at one time, there were some fiscal and programmatic distinctions between the board's activities financed from the General Fund and those financed from the Solid Waste Management Fund.

Subsequent legislation removed these distinctions. Chapter 1150, Statutes of 1979 (AB 66), repealed the litter tax as a source of revenue to the Solid Waste Management Fund, and substituted in its place a specified transfer from the General Fund. Now all state support for the board comes directly from the General Fund or indirectly from the General Fund through the Solid Waste Management Fund. Therefore, the board is in every sense a General Fund-financed agency.

Chapter 364, Statutes of 1980 (SB 261), authorized the Solid Waste Management Fund to support all of the board's programs. The 1981-82 Governor's Budget, therefore, proposes to support planning activities from the Solid Waste Management Fund. This was not possible in prior years.

Problems with Current Funding. Our review of the board's budget and activities has identified several problems with the current funding arrangement. First, the budgetary distinction between the General Fund and the Solid Waste Management Fund is an unnecessary complication which serves no purpose. This distinction has required the board to include, in its cost accounting system (instituted in the current year) the capability to separate General Fund, Solid Waste Management Fund, and Federal Trust Fund activities. However, the way in which the board has differentiated General Fund from Solid Waste Management Fund activities is arbitrary, and the accounts chosen by the board will have to be revised to reflect funding shifts proposed in the Governor's Budget. As a practical matter the only accounting differentiation needed is between federal funds and state General Fund money.

Second, provisions of existing law that require a specific amount to be transferred to the fund tend to limit the Legislature's flexibility. AB 66 requires that an amount equal to 3 percent of the estimated reimbursement to local governments for business inventories, as shown in the Governor's Budget for the upcoming fiscal year, be transferred from the General Fund to the Solid Waste Management Fund each year. This provision of existing law would have to be amended if the Legislature wished to vary the amount transferred from the General Fund to the Solid Waste Management Fund. Conversely, policy or budgetary decisions concerning the amount or distribution of the business inventory reimbursement could significantly affect the amount transferred to the Solid Waste Management Fund.

Third, under current statutes the amount expended by the board as grants, after administrative costs are paid, is not based on any analysis of need, anticipated program accomplishments or relative priority. It is simply a residual of funds which the board distributes.

To overcome these problems and increase legislative flexibility, we recommend that legislation be enacted which eliminates the Solid Waste Management Fund, and specifies that all state support for the board come directly from the General Fund. Supporting the board directly from the General Fund would also improve the Legislature's ability to monitor and control the size and scope of the board's activities.

If the Legislature decided that some policy was needed to guide the board in doing its fiscal planning, the proposed legislation could retain the percentage link to the business inventory tax reimbursement as a planning guideline for the board's budgets.

Overbudgeted General Expense

We recommend a reduction of \$69,955 from Item 338-001-001 and \$100,818 from Item 338-001-389 to delete overbudgeted general expense.

The Governor's Budget requests \$349,718 for "general expense". Actual expenditures for this category were \$99,178 in 1979-80, and \$39,229 in the first six months of 1980-81. The board has not prepared a detailed justification for the amount requested. Our analysis concludes that there is no basis for the proposed 252 percent increase over actual 1979-80 expenditures.

We recommend that the amount budgeted for general expense in 1981-82 be based on actual 1979-80 expenditures, adjusted for inflation and staff increases, as follows:

1. Adjust the actual 1979-80 expenditures for inflation by using the 7 percent price increase factor in the Department of Finance's price letters for 1980-81 and 1981-82. This would make the \$99,178 in 1979-80 expenditures equivalent to \$113,548 in 1981-82.
2. Add \$30,420 for 18 new positions. This equals \$1,690 per position, which is the average amount budgeted by the board for general expense for positions added or continued in 1981-82.

This calculation results in a general expense amount of \$143,968 (\$113,548 + \$30,420). We therefore recommend that the amount budgeted for general expense be reduced to \$143,968, for a savings of \$205,750. This reduction should be distributed approximately 34 percent to the General Fund (\$69,955 from Item 338-001-001), 49 percent to the Solid Waste Management Fund (\$100,818 from Item 338-001-389), and 17 percent to federal funds (\$34,977).

Proposed New Positions

We recommend a reduction of \$207,400 in Item 338-001-389 to delete six proposed new positions.

The board's request includes \$70,400 for two positions to investigate markets for recycled paper and metals, \$96,000 for three positions to administer resource recovery, recycling, and litter grants, and \$41,000 for one legal position. Our analysis indicates that these new positions are not justified.

(1) *Market Investigation (2 positions)* It is clear that increased demand for recycled materials is the key to increased levels of recycling in the state. However, despite the fact that the board and private recyclers have been seeking ways to increase demand for recycled materials for a number of years, very few well-defined, specific suggestions have been developed. The problem, thus, has been a lack of sound proposals to implement, rather than a lack of staff to do the work.

The 1980 Budget Act directed the board to contract for a study of the economics of recycling and resource recovery, and to develop proposals for specific actions which the board or other public agencies could take. As of January 1, 1981, the board had not issued a Request for Proposals for the study. As a result, the study will not be complete until late in 1981-82. If, based on the study's findings, the board can justify additional staff, the staff should be requested in the 1982-83 budget. The board's request for two additional positions in the budget year is premature. We recommend that the positions be deleted, for a savings of \$70,400 in Item 338-001-389.

(2) *Administration of Grants (3 positions).* The board requests \$96,000 for

STATE SOLID WASTE MANAGEMENT BOARD—Continued

three additional positions to administer resource recovery, recycling, and litter grants. The board indicates that these positions are necessary to handle increased workload due to new procedures established by Chapter 364, Statutes of 1980 (SB 261). We recommend that these positions be deleted, for the following reasons:

First, improve data processing capability will increase the efficiency of the board's grant management effort. The board's Solid Waste Information System currently is being expanded to track the status of individual grants. This change will reduce staff workload for the litter grants program, which involves annual processing of over 400 grants.

Second, the board's efforts to better define the priorities for resource recovery grants will reduce demands on existing staff. In the first two years of the resource recovery grant program, the board funded 36 projects in 18 subject areas and the staff was required to familiarize itself with a variety of projects and technologies. Rather than continue to investigate all options, the board enumerated in 1980-81 specific options which are of greatest statewide significance. This will reduce the staff time needed to review and process grant applications. As the board continues to focus on particular subject areas, the ability of the existing staff positions to manage the grant program will improve.

Accordingly, we see insufficient justification for the proposed increase in staffing, and recommend that three positions be eliminated, for a savings of \$96,000 in Item 338-001-389.

Attorney. The board requests \$41,000 to increase legal staffing from one to two positions. Our review of the board's programs and activities fails to justify the need for two legal positions. To date, the board has functioned with only one lawyer, and no significant problems have been identified that can be traced to inadequate legal staff time. The board is a relatively small agency, and typically does not produce a large number of rules and regulations. Much of the legal workload involves routine review of contracts, permits, and minor changes to county plans. We, therefore, recommend that the proposed new legal position be deleted, for a savings of \$41,000 in Item 338-001-389.

State and County Planning

We recommend that four of seven planning positions proposed to be transferred from federal to state funding be eliminated, for a reduction of \$138,617 in Item 338-001-389.

The state's solid waste management planning efforts expanded considerably when federal planning funds became available pursuant to the Resource Conservation and Recovery Act of 1976 (RCRA). For the past several years, seven of the nine staff positions in the board's state and county planning section have been federally funded. During that time, solid waste management plans were drafted by the counties and approved by the board, and the state solid waste management plan required under RCRA was substantially completed.

As a result of reductions in federal RCRA funding to the board, the Governor's Budget proposes to transfer seven planning positions and \$261,900 from federal funding to state support. Our analysis of the board's proposal concludes that increasing state funding to replace federal funding is not warranted in this case, for several reasons.

1. **Declining workload.** Federal funding for solid waste management planning is declining because the state solid waste management plans are complete. Staff for the board indicate that California's draft state plan will be completed early in 1981. Of the five positions currently devoted to state plan development, no more than two will be needed to update the state plan and ensure compliance with federal requirements. All county solid waste management plans likewise are complete. Under state law, the county plans must be reviewed every three years, and

revised, if necessary. State staffing required to review triennial county plan revisions should be substantially less than that required to review the initial county submissions.

2. *Funding problems at county level.* Under state law, the primary responsibility for solid waste management planning is assigned to local governments. According to the counties, the major problem in revising and improving their solid waste management plans is lack of funds. The board has not directly addressed the issue of funding for county plan revisions. The positions requested by the board for review of county revisions will have little impact if the counties are not able to undertake the work.

3. *Planning not integrated with other board and local programs.* The county plans describe in great detail the current solid waste management systems in the state. However, the plans have not significantly affected local decision-making, nor have the board's various local grants been used to assist counties in their planning work. For instance, the plans require counties to perform detailed cost-effectiveness evaluations of landfill versus other alternatives for disposing of solid wastes, yet the board's grants are not producing generic information that will help county officials perform such determinations.

4. *No regional planning.* Much transport and disposal of solid wastes crosses county lines. However, little progress has been made in planning solid waste management on a regional basis. The board believes that the current emphasis on county planning is adequate. Nevertheless, regional considerations continue to arise, particularly in resource recovery and hazardous waste management. There is no adequate way to address these considerations in the current planning structure.

Some planning staff at the state level is necessary to ensure state plan consistency, provide assistance to those counties that request it, and review ongoing county work performed pursuant to state law. However, the board has not demonstrated that continuation of significant state staffing at current levels, using state funds to replace federal funds, is justified. If the funding problem at the county level is resolved, or if the board is able to relate the county planning process to other local and board programs, additional staff might be justified. Under current circumstances, however, we do not believe the additional staff is warranted. Accordingly, we recommend that four planning positions be deleted, for a savings of \$138,617 in Item 338-001-389. This would leave a total of six staff positions and a supervisor in the planning area, which in our judgment is adequate to meet anticipated workload.

Reduce Amount Available for Grants

We recommend a reduction of \$1,511,780 in the amount available to the board for distribution as grants, by eliminating the General Fund appropriation in Item 338-001-001.

The Solid Waste Management Board distributes grants for litter control, recycling, and resource recovery. The Governor's Budget proposes appropriations to the board that will result in 1981-82 grant expenditures of approximately \$9.8 million. Our review of the board's programs indicates that a reduction in the amount available to the board for distribution as grants is warranted.

If our recommended General Fund reduction of \$69,955 to correct overbudgeted general expense is approved, the General Fund appropriation to the board will be reduced to \$1,511,780. We recommend that the positions and activities which the Governor's Budget proposes to fund from this appropriation be funded instead from the Solid Waste Management Fund. Shifting this \$1,511,780 in board support expenses to the Solid Waste Management Fund would result in a corresponding decrease of \$1,511,780 in the amount available to the board for distribution as grants. We recommend this reduction for three reasons:

STATE SOLID WASTE MANAGEMENT BOARD—Continued

(1) *Amount requested not based on need.* The amount requested for grants in the Governor's Budget was not derived by analyzing the need for specific awards or the result of the board's grants to date. Rather, it continues the grants program at the current year level—a level that simply reflects the amount remaining in the Solid Waste Management Fund after administrative expenses are paid.

The recommended reduction would provide the board with about \$8.3 million for grants. Our review indicates that this amount should be sufficient to demonstrate a number of innovative approaches to solid waste management problems.

To date, portions of the grant awards have gone to fund routine local litter clean-up operations and to purchase off-the-shelf equipment for recycling centers. Other expenditures have duplicated efforts by several state agencies to encourage the recovery of energy from crop wastes. If the board limits its programs to innovative activities rather than routine programs or programs already funded by local government, the private sector, or other state agencies, \$8.3 million would be sufficient to fund a variety of projects.

(2) *Lack of program results to date.* Chapter 1161, Statutes of 1977 (SB 650), provides the statutory basis for the board's grants program. SB 650 directed the Legislative Analyst to evaluate the program and report annually to the Legislature on the effectiveness of the Solid Waste Management Board in implementing the program. Our *First Annual Report on Litter Control, Recycling and Resource Recovery* (Report No. 80-11, March 1980) concluded that in 1978-79 the board funded a wide range of activities with no clear goal or focus. We recommended that the board clarify its objectives and develop a program plan in the areas of public education and markets for recovered materials. Our *Second Annual Report* (Report No. 80-24, December 1980) concluded that some projects funded in 1978-79 and 1979-80 have had a beneficial impact in limited areas, but the program as a whole was not producing knowledge helpful to local decisionmakers in communities that have not received grants. The state's expenditures have done little to improve local litter control efforts or increase the net amount of recycling in the state. Moreover, various portions of the program have resulted in competition with private recycling efforts and overlap with other state agencies.

(3) *Elimination of General Fund appropriation will simplify funding arrangements.* The recommended reduction would result in the elimination of Item 338-001-001. As a result, the board would be funded through a transfer from the General Fund to the Solid Waste Management Fund, with the support appropriation made from that fund. This action is a step in the direction of implementing the recommendation made earlier that the board eventually be funded by a single direct General Fund appropriation. Use of a direct General Fund appropriation to the board would also eliminate unnecessary complexity in the board's cost-accounting system.

Hazardous Waste

We recommend that the statutory ban on participation by the Solid Waste Management Board in hazardous waste management efforts be repealed, so that the Legislature can assign appropriate specific duties to the board.

The Department of Health Services is responsible for hazardous waste management in the state. Section 66796.83 of the Government Code prohibits involvement by the Solid Waste Management Board in any aspect of *hazardous* waste management, and limits the board to *solid* waste management. This ban was established in part because the prime responsibility was not fixed between the department and the board. It has become apparent that in some instances this rigid statutory distinction between hazardous and solid (nonhazardous) waste management is not practical. For example:

- The use of nonhazardous waste is necessary at some hazardous waste facilities as a "sponge" to soak up hazardous liquids;
- Hazardous and nonhazardous waste planning are integrated at the county level and the federal level, but not at the state level;
- Many technical and institutional aspects of facility siting are the same for both types of waste; and
- Many technical issues involving waste reduction and resource recovery are similar for both types of waste.

We are not recommending any specific hazardous waste role for the Solid Waste Management Board. However, in order that the Legislature can in the future assign appropriate, specific, nonduplicating duties to the board by budget action or concurrent resolution, we recommend that the statutory ban on board involvement with hazardous waste be repealed.

Budget Bill Language

We recommend deletion of all Budget Bill control language applicable to Items 338-001-001 through 338-001-890.

The Budget Bill retains control language from previous Budget Acts pertaining to allowable expenditures for program management and administrative costs. Chapter 364, Statutes of 1980 (SB 261), contained provisions removing the need for this language. We therefore recommend deletion of all budget control language applicable to Items 338-001-001 through 338-001-890.

Resources Agency AIR RESOURCES BOARD

Item 340 from the General
Fund and special funds

Budget p. R 38

Requested 1981-82	\$52,580,300
Estimated 1980-81	49,561,497
Actual 1979-80	43,218,874
Requested increase (excluding amount for salary increases) \$3,018,803 (+6.1 percent)	
Total recommended reduction	\$920,662
Recommendation Pending	\$443,020

1981-82 FUNDING BY ITEM AND SOURCE

Item	Description	Fund	Amount
340-001-001—Support and control of stationary sources	General		\$4,928,423
340-001-044—Support and control of mobile sources	Motor Vehicle Account, State Transportation		21,435,258
340-001-128—Regulation of licensed smog stations by Bureau of Automotive Repair	Automotive Repair		1,489,165
340-001-140—Air Pollution Research Program	California Environmental License Plate		1,443,450
340-001-019—Cogeneration, Resource Recovery, and Synfuel Development	Energy Resources Conservation and Development Special Account, General		290,836
340-001-115—Miscellaneous Support	Air Pollution Control		701,594
340-001-420—Operation and Supervision of Motor Vehicle Inspection Program in the South Coast Air Basin	Vehicle Inspection		14,947,154

AIR RESOURCES BOARD—Continued

340-101-001—Subventions to Local Air Pollution Control Districts	General	4,033,000
340-101-044—Subventions to Local Air Pollution Control Districts	Motor Vehicle Account	3,311,420
340-001-890—Miscellaneous Support	Federal Trust	(2,004,609)
Total		\$52,580,300

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

- | | <i>Analysis
page</i> |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------|
| 1. <i>Control of Toxic Emissions. Reduce Item 340-001-001 by \$122,231, Item 340-001-019 by \$147,517, Item 340-001-044 by \$256,548 and Item 340-001-140 by \$141,818. Recommend reduction of 11.2 proposed new positions for toxic emissions control because existing law assigns responsibility for stationary source control to local districts.</i> | 496 |
| 2. <i>Characterization of Diesel Exhaust. Reduce Item 340-001-044 by \$104,558. Recommend reduction of 2.3 proposed new positions for the evaluation of particulates from diesel light-duty vehicles because the proposed work partially duplicates EPA research. Further recommend that the Legislature specifically determine whether the ARB should undertake research which could contribute to a continuation of the dual EPA/ARB new vehicle certification programs if it approves funding for staff to follow the EPA research work on particulates and to develop information on aldehydes.</i> | 498 |
| 3. <i>Air Monitoring Contracts. Reduce Item 340-001-001 by \$30,241 and Item 340-001-044 by \$87,749. Recommend termination of four air monitoring contracts with local districts on the same basis that budget recommends termination of a fifth contract.</i> | 499 |
| 4. <i>Equipment Purchases. Increase Air Pollution Control Fund Item 340-001-115 by \$1,000,000; Reduce Motor Vehicle Account Item 340-001-044 by \$800,000; Reduce General Fund Item 340-001-001 by \$200,000. Recommend that \$1,000,000 in equipment purchases budgeted from the General Fund and the Motor Vehicle Account, State Transportation Fund, be funded from the Air Pollution Control Fund.</i> | 499 |
| 5. <i>Vehicle Inspection Program. Recommend amount appropriated from Vehicle Inspection Fund to ARB reflect other legislative actions and contract requirements.</i> | 500 |
| 6. <i>Attorney General Legal Services. Withhold recommendation on \$443,020 budgeted for Attorney General services pending reconciliation of budget discrepancies.</i> | 500 |
| 7. <i>Air Pollution Research. Recommend that representatives of the ARB, Energy Commission, Department of Finance and Resources Agency explain at budget hearings their inability to coordinate research requests.</i> | 500 |

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 who are appointed by the Governor and serve at his pleasure. The board's staff is under the director of an executive officer. The administrative functions are carried out, and most of the board's staff are located, in Sacramento.

Vehicle emissions testing, new vehicle emissions certification and air pollution laboratory work are conducted at El Monte.

ANALYSIS AND RECOMMENDATIONS

The budget proposes expenditures of \$52,580,300 from the General Fund and various special funds for support of Air Resources Board activities in 1981-82. This is an increase of \$3,018,803, or 6.1 percent, over estimated current year expenditures. This amount will increase by the amount of any salary or staff benefits increases approved for the budget year.

In addition to \$52,580,300 in state funds, the board proposes to spend \$2,004,609 in federal funds and \$725,161 in reimbursements, bringing total expenditures from all sources to \$55,310,070. This is an increase of \$2,364,070, or 4.5 percent, over total estimated expenditures in the current year.

The board has budgeted 561 net personnel-years for 1981-82. This is a decrease of 19 positions from the authorized level for 1980-81.

Significant Budget Changes

Table 1 summarizes the ARB's proposed budget adjustments for 1981-82. Significant changes are as follows:

1. \$147,517 and 3.4 positions to study air pollution aspects of synthetic fuels.
2. \$266,468 and 4.3 positions to evaluate hazardous emissions from light-duty diesel vehicles.
3. \$175,981 and 4.6 positions for enforcement of regulations concerning hazardous pollutants. Page A-23 of the Governor's Budget indicates that this proposal has been reduced by a General Fund "special adjustment" of \$53,750 (1.6 positions), leaving \$122,231 and 3 new positions.
4. \$129,902 and 4.8 positions to increase staffing for oversight of toxics-related research.
5. \$298,464 for increased contract research.
6. \$100,000 to expand the state's particulate monitoring network.
7. Reappropriation of \$309,000 appropriated in 1979-80 to improve the state's emissions inventory data management system.
8. Cancellation of an air monitoring contract with the South Coast Air Quality Management District, for a savings of \$103,500.

SCR 32 Study Completed

Resolution Chapter 100, Statutes of 1979 (SCR 32), directed the Legislative Analyst to contract for a study of the problems, costs and benefits, and duplications involved in federal, state and local air quality management activities in California. The completed report was transmitted to the Legislature on January 5, 1981.

The SCR 32 study was prompted, in part, by legislative concern over the direction of the ARB's new vehicle certification program as well as over the ARB's increasing involvement in the stationary source control activities of local air pollution control districts.

The SCR 32 report contains many recommendations on the new car certification work of the ARB and on the duplication and competition between the ARB and local air pollution control districts in areas of stationary source control. The report documents the trend of increasing ARB intrusion into, or assumption of the districts' responsibilities for, stationary source control. In past years, we have called attention in our budget *Analyses* to requests by the ARB for funds to undertake work that falls within the stationary source responsibilities of the districts. The Legislature generally has provided these funds because the air quality work had a high priority. However, in the absence of policy legislation that refines the statutes covering the changing roles of the ARB and the districts with respect to

AIR RESOURCES BOARD—Continued

Table 1
Air Resources Board
Proposed Budget Adjustments
1981-82

	<i>General Fund</i>	<i>Motor Vehicle Account</i>	<i>Other</i>	<i>Total</i>
1980-81 Base Budget (Revised)	\$8,709,673	\$23,297,594	\$20,038,510 ^a	\$52,045,777
1. Program Expansion				
a. Toxic Emissions Control.....	175,981	286,548	289,335 ^b	751,864
Special Adjustment Reduction	-53,750	—	—	-53,750
(Subtotals)	(122,231)	(286,548)	(289,335)	(698,114)
b. Diesel Emissions	—	201,468	65,000 ^c	266,468
c. Particulate Monitoring	—	100,000	—	100,000
2. Program Reduction				
a. Termination of Air Monitoring Contract	-26,527	-76,973	—	-103,500
3. Reappropriation of Unexpended Funds				
a. Emission Data System	—	—	309,000 ^c	309,000
4. Baseline Changes				
a. Price and Salary Increases.....	156,046	938,041	174,963	1,269,050
Total, 1981-82 Budget Changes	\$251,750	\$1,449,084	\$838,298	\$2,539,132
Totals, 1981-82 Proposed Budget.....	<u>\$8,961,423</u>	<u>\$24,746,678</u>	<u>\$20,876,808</u>	<u>\$54,584,909</u>

^a \$1,459,598 from the Automotive Repair Fund, \$1,216,478 from the California Environmental License Plate Fund, \$607,594 from the Air Pollution Control Fund, \$14,131,908 from the Vehicle Inspection Fund, \$2,484,280 from the Federal Trust Fund and \$138,652 from the State Energy Resources Conservation and Development Special Account—General Fund.

^b \$147,517 from the Energy Resources Conservation and Development Special Account; \$141,818 from the California Environmental License Plate Fund.

^c Air Pollution Control Fund.

emissions inventories, stationary source enforcement, and new federal regulations, it has been difficult to determine that funds are used effectively and that the ARB and the districts do not duplicate each other's efforts.

In this Analysis we are recommending that all requests for additional funds which would alter the existing relationships among federal, state and local air quality control efforts be the subject of a determination by the Legislature on the issue of the federal, state and local relationships, as well as on the fiscal merits of the proposal. We do so because, given the Legislature's concern as expressed in SCR 32, such changes in the existing responsibilities should be highlighted so that the Legislature will have an opportunity to consider the policy implications at stake. It may be that rather than funding these requests in the Budget Bill, the Legislature would prefer to consider the funding in connection with legislation clarifying the roles of ARB and the districts.

Control of Toxic Emissions

We recommend a reduction of \$698,114 to delete 11.2 proposed new positions for controlling emissions of toxic substances, because existing law assigns responsibility for stationary source control to local districts. (Reduce Item 340-001-001 by \$122,231, Item 340-001-019 by \$147,517, Item 340-001-044 by \$286,548, and Item 340-001-140 by \$141,818.)

The Governor's Budget requests \$698,114 and 11.2 positions to increase the

state's capability for controlling airborne toxic substances. The individual projects for which funding is requested are shown in Table 2.

Table 2
Air Resources Board
Proposed Increases in Toxic Emissions Control Program
1981-82

<i>Project</i>	<i>Personnel- Years</i>	<i>Cost</i>
Air Pollution Aspects of Synthetic Fuels.....	3.4	\$147,517
Enforcement of Regulations concerning Toxic and Carcinogenic Pollutants..	3.0	122,231
Research Program on Toxicological Assessment.....	4.8	129,902
Contract Research.....	-	298,464
Totals	11.2	\$698,114

Most toxic air pollutants are emitted from stationary sources. Under current law, local districts have the primary responsibility for controlling air pollution from stationary sources. The ARB, however, has the authority to undertake control activities in any area where it determines, after a public hearing, that local authorities have failed to meet the responsibilities given them under state law. No such determinations have been made by the board concerning toxic substances control. Consequently, neither the board's current level of expenditures nor the projects proposed for funding in the budget year have been justified on the basis of failure by local districts to discharge their responsibilities.

The control of toxic emissions is complex, and requires highly sophisticated control techniques. There are many reasons why increased state involvement in toxic emissions control may be warranted. Nevertheless, the Legislature has clearly assigned in law the responsibility for controlling such emissions from stationary sources to local districts, and some local district control efforts are getting underway. For example:

- The Sacramento County Air Pollution Control District is currently reviewing an application for a proposed test of PCB incineration at McClellan Air Force Base.
- The Bay Area Air Quality Management District has reviewed toxic aspects of a proposed waste-to-energy plant.
- The South Coast Air Quality Management District has participated with the ARB in joint air monitoring efforts, and is considering the establishment of a separate unit which would be assigned solely to toxic emissions control.

The ARB already is involved in toxic emissions control as the result of the 1980 Budget Act, which provided 18.5 positions and \$900,000 for such activity in the current year. The \$698,114 increase requested in the budget for 1981-82 would provide additional state capability in the areas of project review, permit processing, and enforcement.

If the Legislature wishes to have the ARB become more involved in the control of toxic emissions from stationary sources, we recommend the enactment of legislation clarifying the responsibilities of the state and the local districts. The present approach, in which augmentations to the ARB's efforts with respect to stationary sources are approved through the budget, but no change is made in the statutory distribution of responsibility between the ARB and the local level, will continue to result in duplication, overlap, and conflict with local efforts—the same factors that gave rise to the SCR 32 study. Accordingly, and without prejudice to the importance of controlling emissions of toxic substances, we recommend that the proposed increase of \$698,114 and 11.2 positions be deleted.

AIR RESOURCES BOARD—Continued**Characterization of Diesel Exhaust**

We recommend a reduction of \$104,558 in Item 340-001-044 and 2.3 proposed new positions for the evaluation of particulates from diesel light-duty vehicles because the proposed work partially duplicates EPA research. We further recommend that the Legislature specifically determine whether the ARB should undertake research which could contribute to a continuation of the dual EPA/ARB new vehicle certification programs if the Legislature approves funding for staff to follow the EPA research work on particulates and to develop information on aldehydes.

The Governor's Budget requests \$266,468 to evaluate hazardous pollutants from light-duty diesel vehicles. The requested amount consists of (1) \$65,000 to purchase equipment for the ARB's Haagen-Smit laboratory that will allow it to separate and quantify the components of diesel exhaust, and (2) \$201,468 for 4.3 staff and operating expenses.

Equipment. The ARB will need the technical capability to analyze the components of exhaust from light-duty diesel vehicles as part of its ongoing in-use vehicle surveillance efforts. Accordingly, we recommend approval of \$65,000 for the requested equipment at the Haagen-Smit laboratory. This request does not affect the ARB's new-car certification program.

Staff and Operating Expenses. The board requests \$201,468 for 4.3 staff and operating expenses. The board proposes to (1) collect samples of diesel exhaust, (2) test the particulates and aldehydes in diesel exhaust for carcinogenic and mutagenic properties, and (3) develop "emission factors" for particulates and aldehydes. (An emission factor is an estimate of the amount of a pollutant produced by a vehicle as the vehicle accumulates mileage and age.)

The EPA has informed us that it currently has several major research programs underway which address emissions from diesel-fueled vehicles. These ongoing EPA programs have not, to date, addressed *aldehyde* emissions from diesels (one portion of the ARB request). Research into this area does not duplicate work being done by EPA and addresses a problem that may be unique in California. We therefore recommend approval of this portion of the board's request.

However, the EPA programs will provide the same information on *particulate* emission factors and carcinogenic properties that the ARB's proposal seeks to develop. We see no reason for the state to duplicate EPA's work in this area, and therefore recommend deletion of this proposed work.

Based on information supplied by board staff, we conclude that two additional staff would be sufficient for the ARB to keep abreast of EPA's work on particulates and to do a modest amount of research on aldehyde emissions. Accordingly, we recommend approval in the reduced amount of \$96,910. This amount is sufficient to fund two associate air pollution specialists plus operating expenses, for those portions of the request that do not duplicate EPA efforts.

Expansion of New-Car Certification. The proposed program is intended to provide a technical base for future decisions whether additional control of emissions from diesel vehicles is warranted. If the Legislature does not wish to provide the potential for further separation of the California and federal new vehicle certification programs, it should not approve the requested positions. We therefore recommend that the Legislature specifically determine whether the ARB should undertake research which could contribute to a continuation of the dual EPA/ARB new vehicle certification program before approving all or a portion of the requested funding for staff and operating expenses.

Terminate Remaining Air Monitoring Contracts

We recommend a reduction of \$30,241 from Item 340-001-001 and \$87,749 from Item 340-001-044 to terminate funding for four air monitoring contracts with local districts on the same basis that the budget recommends termination of a fifth contract.

The ARB currently contracts with five local air pollution control districts for ambient air quality monitoring. The budget proposes to terminate the contract with the South Coast Air Quality Management District, for a savings of \$103,500, because (1) the subvention program provides funds which can be used for air quality monitoring, and (2) the original purpose of state funding (to upgrade the quality of air monitoring data) has been superseded by federal quality control requirements.

We agree with the board's finding that termination of the South Coast contract is warranted. The board's reasoning, however, also applies to the four remaining air monitoring contracts. Yet, the budget contains \$117,990 for contracts with the Bay Area Air Quality Management District, the Monterey Bay-Santa Cruz Unified Air Pollution Control District (APCD), the Ventura County APCD, and the San Diego County APCD. We recommend that these contracts also be terminated, for a savings of \$30,241 in Item 340-001-001 and \$87,749 in Item 340-001-044.

Equipment Purchases

We recommend that \$1,000,000 in equipment purchases budgeted from the General Fund and the Motor Vehicle Account, State Transportation Fund, be financed from the Air Pollution Control Fund. (Reduce Item 340-001-001 by \$200,000; Reduce Item 340-001-044 by \$800,000; Increase Item 340-001-115 by \$1,000,000.)

The Air Pollution Control Fund receives revenue from fees, fines, and interest on the investment of the fund's surplus. The ARB traditionally has used the Air Pollution Control Fund for one-time expenditures, on the basis that using fines to support ongoing programs would encourage the board to generate a predetermined level of fines each year.

The Governor's Budget shows \$1,523,433 available for appropriation from the Air Pollution Control Fund in 1981-82. Our analysis indicates that this amount is understated by at least \$290,224, because

- (1) \$93,990 in civil penalties and enforcement settlements already collected during the first six months of 1980-81 is not included as revenue to the fund.
- (2) \$196,234 in fees for gasoline tank truck certification is not shown as revenue to the fund, due to a technical error. One-half of this amount will be collected in 1980-81 and one-half will be collected in 1981-82. The entire amount can be considered as revenue available for expenditure in 1981-82.

The amount available for appropriation from the Air Pollution Control Fund in 1981-82 will be at least \$1,813,657 (\$1,523,433 + \$93,990 + \$196,234). This amount will increase by (1) the amount of any additional civil penalties or enforcement settlements collected during the current or budget years, and (2) interest income earned during 1980-81 and 1981-82.

Of the \$1,813,657 available for 1981-82, the budget proposes to appropriate only \$701,594. This would result in an unappropriated balance of \$1,112,063 remaining in the fund.

There is no reason to maintain such a substantial surplus in the Air Pollution Control Fund. On this basis, we recommend that \$1,000,000 in 1981-82 equipment expenditures budgeted from the General Fund and the Motor Vehicle Account, State Transportation Fund, be shifted to the Air Pollution Control Fund. This action would make \$1,000,000 of General Fund and Motor Vehicle Account funds available for other state activities. It would also be consistent with the board's policy of funding only one-time expenditures from this source.

Staff of the board indicate that state-funded equipment purchases are split on

AIR RESOURCES BOARD—Continued

a ratio of approximately 20 percent General Fund and 80 percent Motor Vehicle Account. We therefore recommend that Item 340-001-001 be reduced by \$200,000 and Item 340-001-044 be reduced by \$800,000, to eliminate the budgeted equipment purchases, and that Item 340-001-420 be increased by \$1,000,000.

Vehicle Inspection Program

We recommend that the amount appropriated from the Vehicle Inspection Fund to the ARB by Item 340-001-420 (1) reflect the Legislature's action on the Bureau of Automotive Repair budget and (2) provide sufficient money to pay the contract costs for the vehicle inspection and maintenance program in the South Coast Air Basin.

The budget requests \$14,947,154 from the Vehicle Inspection Fund for supervision and operation of the vehicle inspection program in the South Coast Air Basin. This request consists of (1) \$11,870,903 to pay Hamilton Test Systems to operate the 17 stations for emission testing of in-use vehicles in the South Coast Air Basin when ownership of a vehicle is changed, and (2) \$3,076,251 for a contract with the Bureau of Automotive Repair (BAR) to monitor Hamilton's change-of-ownership inspections and check the emissions repair work done by the vehicular repair industry in the South Coast Air Basin.

Our analysis of the BAR budget (Item 115-008-128) indicates that a reduction of \$200,679 in the amount requested by BAR for supervision of the inspection program in the South Coast Air Basin is warranted. If that recommendation is approved by the Legislature, the appropriation to the ARB could be reduced by a corresponding amount. Further adjustments to the ARB appropriation might, however, be necessary in order to ensure that sufficient funds are appropriated to meet the state's contractual obligation to pay Hamilton Test Systems. We therefore recommend that the amount appropriated from the Vehicle Inspection Fund to the ARB be reviewed prior to enactment of the Budget Bill, in light of legislative action on BAR's budget request. We will advise the Legislature on what, if any, adjustment is warranted at that time.

Attorney General Legal Services

We withhold recommendation on \$443,020 budgeted for legal services by the Attorney General, pending reconciliation of budget discrepancies.

Our analysis of the budget reveals a discrepancy between the amount of legal services the ARB is budgeted to obtain from the Attorney General and the amount of legal services the Attorney General is budgeted to provide. Specifically, the ARB has budgeted \$443,020 for Attorney General services. However, the Department of Justice's budget includes only 5,500 hours, or approximately \$270,875, of attorney services for the ARB.

We have identified similar problems in other budgets, and have requested the department of Finance to reconcile these discrepancies by April 1, 1981. This request is discussed in the analysis of the Department of Justice (Item 082-001-001). We plan to evaluate the board's proposed expenditures for Attorney General services after we receive the reconciliation data from the Department of Finance.

Coordination of Air Pollution Research

We recommend that representatives of the ARB, the Energy Commission, the Department of Finance and the Resources Agency explain at budget hearings the reasons for their inability to coordinate their research requests.

Over the past several years we have pointed out the need for interagency coordination of air pollution research, especially with regard to the control of emissions from power plants. In July of 1979, a "Power Plant Air Emissions Technical Assessment Coordination Committee" was formed, with representatives from

the Resources Agency, Energy Commission, Air Resources Board, and the Department of Water Resources. This committee has met quarterly to review existing and planned power plant-related research studies.

Our review indicates that problems in this area remain. We understand that a planned joint ARB-Energy Commission study of air pollution crop damage that might be caused by a coal-fired power plant in the Delta was dropped because the agencies were unable to agree on which agency should have the lead role. The ARB insisted on having the lead on all air pollution research, consistent with Health and Safety Code Section 39703 which states "The state board shall administer and coordinate all air pollution research funded, in whole or in part, with state funds...." On the other hand, the Public Resources Code gives primary authority on siting of power plants to the Energy Commission. Under these circumstances, the coordinating council did not make a management decision and was unable to resolve the conflicts.

More importantly, the research projects and contract proposals of the Energy Commission were not prepared in detail prior to submission of the Governor's Budget to the Legislature. Although the ARB's proposed research projects are reasonably well developed, they could not be coordinated with the Energy Commission's research. Because the administration has been unable to comply with the Legislature's directive, we recommend that representatives of the ARB, Energy Commission, Department of Finance, and Resources Agency appear before the fiscal subcommittees when the ARB budget is heard to explain their difficulties.

Resources Agency COLORADO RIVER BOARD

Item 346 from the General

Fund	Budget p. R 47
Requested 1981-82	\$173,666
Estimated 1980-81	171,199
Actual 1979-80	151,519
Requested increase (excluding amount for salary increases) \$2,467 (+1.4 percent)	
Total recommended reduction	None

GENERAL PROGRAM STATEMENT

The Colorado River Board is responsible for protecting the state's interest in the water and power resources of the Colorado River. This is accomplished through the analysis of engineering, legal and economic matters concerning Colorado River resources, through negotiations and administrative action, and sometimes through litigation. The board develops a single position among the California agencies having established water rights on the Colorado River.

The board has 11 members appointed by the Governor. Six members are appointed from agencies with entitlements to Colorado River water. These agencies are:

1. Palo Verde Irrigation District
2. Imperial Irrigation District
3. Coachella Valley County Water District
4. Metropolitan Water District of Southern California
5. San Diego County Water Authority

COLORADO RIVER BOARD—Continued**6. City of Los Angeles Department of Water and Power**

The other board members are the directors of the Departments of Water Resources and Fish and Game, and three public representatives.

The board is located in Los Angeles and has a staff of 10.7 positions. The Colorado River Board is supported two-thirds by the six water agencies listed above and one-third by the state.

ANALYSIS AND RECOMMENDATIONS*We recommend approval.*

The Governor's Budget proposes an appropriation of \$173,666 from the General Fund for support of the Colorado River Board in 1981-82. This is an increase of \$2,467, or 1.4 percent, over the estimated current year expenditure.

The total 1981-82 budget for the board (all funds) is \$520,635, consisting of the General Fund amount and \$346,969 in reimbursements from the six water agencies. This is \$7,039, or 1.4 percent, more than is estimated to be spent during the current year. No program changes have been budgeted for 1981-82. Our analysis indicates that the budget is reasonable, and we recommend approval.

Resources Agency**DEPARTMENT OF CONSERVATION****Item 348 from the General****Fund and various funds****Budget p. R 49**

Requested 1981-82	\$12,674,035
Estimated 1980-81	12,647,716
Actual 1979-80	9,324,144
Requested increase (excluding amount for salary increases) \$26,319 (+0.2 percent)	
Total recommended reduction	\$149,102

1981-82 FUNDING BY ITEM AND SOURCE

Item	Description	Fund	Amount
348-001-001—Department of Conservation Primary Fund Source		General	\$9,183,197
348-001-035—Surface Mining and Reclamation Program	Surface Mining and Reclamation Account, General		1,100,000
348-001-042—State Share of California Institute of Technology Seismograph Network	State Highway Account, State Transportation		11,400
348-001-140—Special Services for Resources Protection	California Environmental License Plate Program		145,000
348-001-144—State Share of California Institute of Technology Seismograph Network	California Water		11,400
348-001-188—Department of Conservation, Miscellaneous	Energy and Resources		752,678
348-001-398—Division of Mines and Geology	Strong-Motion Instrumentation Program		1,470,360
348-001-890—Various Programs	Federal Trust		(420,598)
Total			\$12,674,035

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONSAnalysis
page

1. *Restore "Special Adjustment". Increase Item 348-001-001 by \$50,000.* Recommend augmentation to restore contract funds for geodimeter project deleted pursuant to a "special adjustment". 506
2. *Surface Mining and Reclamation Act Funding.* Recommend adding language to Item 348-001-035 to assure that any salary and staff benefit increases are financed from the Surface Mining and Reclamation Account. 507
3. *Contract Funds Overbudgeted. Reduce Item 348-001-001 by \$90,000.* Recommend reduction in excess contract funds budgeted for abandonment and corrective work on oil and gas wells. 508
4. *Soil Resource Planning. Reduce Item 348-001-188 by \$109,102.* Recommend deletion of amount from Energy and Resources Fund budgeted to continue soil mapping and coordination activities. 508
5. *California Automated Resource Inventory (CARI) System.* Defer recommendation on \$534,475 requested from the Energy and Resources Fund for continuation of CARI pending receipt of additional information concerning budget year work projects. 509

GENERAL PROGRAM STATEMENT

The Department of Conservation consists of two divisions—(1) Mines and Geology and (2) Oil and Gas. In addition the director's office administers the Special Services for Resource Protection Program. The department has a total of approximately 318 employees authorized in the current year.

The Division of Mines and Geology is the state's geologic agent. It also conducts a strong-motion instrumentation program to measure and evaluate the large-scale destructive motion of earthquakes. The State Geologist is responsible for the classification of certain urban and other lands according to mineral content. The division has 172 authorized positions. Policy direction to the division is provided by the State Mining and Geology Board, whose members are appointed by the Governor.

The Division of Oil and Gas regulates the development, operation, maintenance and abandonment of oil, gas and geothermal wells. This division has 131 authorized positions.

The Special Services for Resource Protection program consists of an open-space subvention program which is administered on behalf of the Resources Secretary, and a minor soil resource and planning program. There are 15 authorized positions assigned to Special Services for Resource Protection.

ANALYSIS AND RECOMMENDATIONS

The budget proposes appropriations of \$12,674,035 from various state funds for support of the Department of Conservation in 1981-82. This is an increase of \$26,319, or less than 1 percent, over estimated current year expenditures. This amount will increase by the amount of any salary or staff benefit increase approved for the budget year.

Sources of Funding

The department estimates that it will spend \$14,107,808 from all sources for support programs in 1981-82. This amount would be financed from the following sources:

The proposed expenditure level is \$27,030, or 0.2 percent, higher than total estimated expenditures in the current year.

DEPARTMENT OF CONSERVATION—Continued

1. General Fund (Item 348-001-001)	\$9,183,197
2. Surface Mining and Reclamation Account, General Fund (Item 348-001-035)	1,100,000
3. Special funds (Items 348-001-042 through 348-001-398)	2,390,838
4. Reimbursements.....	1,013,175
5. Federal Trust Funds (Item 348-001-890)	420,598
Total.....	<u>\$14,107,808</u>

The Surface Mining and Reclamation Account was created pursuant to Chapter 800, Statutes of 1980, and finances Division of Mines and Geology activities in (1) designating mineral lands and (2) monitoring reclamation of mined land which is regulated by local government. This new special account receives the first \$1.1 million in federal mining revenues provided to the state each year.

Reimbursements of \$1,013,175 come primarily from (1) state and public agencies receiving contract services from the department, (2) fees paid for preparation of environmental impact reports covering proposed geothermal power projects, and (3) publication sales (geologic maps and reports).

The budget indicates the department expects to receive \$410,598 in federal funds. Most of these funds are provided by the (1) U.S. Geological Survey and (2) U.S. Department of Energy, for support of research and projects carried out by the Division of Mines and Geology.

Significant Budget Changes

Although the department's total support request shows only a minor increase above the current year level, the budget includes new expenditure for the following:

- Demonstration projects to develop practical methods for controlling wind erosion in Kern, Solano and Monterey Counties—\$145,000, from the Environmental License Plate Fund.
- Development of an improved capability to process strong-motion photographic records of earthquakes—\$126,155, from the Strong-Motion Instrumentation Program Fund.

Other programs established in 1980-81 through an appropriation from the Energy and Resources Fund (ERF), are proposed for continuation in the budget year, at a cost of \$752,678. This is an increase of \$37,960 over estimated current expenditures from this source. Ongoing activities financed from this funding source consist of (1) contracts for data collection by graduate students to update the Regional Geologic Map Series (\$109,101); (2) preparation of additional general soils maps and support of other soils information activities (\$109,102); and (3) continued development and operation of the California Automated Resource Information (CARI) system (\$534,475).

Proposed increases in budget year expenditures for new projects and ongoing programs are offset by the following:

1. A \$224,000 reduction due to one-time equipment purchases in the current year that were financed through the Strong-Motion Instrumentation Fund.
2. Completion of a one-year project to map agricultural farmlands, using \$319,516 from the Environmental License Plate Fund.
3. Completion of an \$85,000 slope stability study by the Division of Mines and Geology in the Baldwin Hills area in southern California, pursuant to provisions of Chapter 39, Statutes of 1980.
4. A "special adjustment" in the department's General Fund support request, consisting of a \$50,000 decrease in contract services. The adjustment would result in termination of an ongoing geodimeter project to measure movement along the San Andreas Fault.

Table 1
Department of Conservation
Program Changes by Funding Source

<i>Program and Selected Significant Changes</i>	<i>Estimated 1980-81</i>	<i>Proposed 1981-82</i>	<i>Changes In</i>				<i>Changes from 1980-81</i>
			<i>General Fund</i>	<i>Special Funds*</i>	<i>Federal Funds</i>	<i>Reimburse- ments</i>	
Geologic Hazards and Mineral Resource Conservation (Increase of \$126,155 from the Strong-Motion Instrumentation Fund for engineering tests and to process photographic strong-motion records, offset by a \$224,000 reduction from this funding source due to other one-time equipment costs; an additional \$109,101 from the Energy and Resources Fund to finance the second-year of a five-year project to revise regional geologic maps; special General Fund reduction of \$50,000 to eliminate geodometer contract)	\$7,797,522	\$7,789,845	+\$64,709	+\$64,959	+\$16,781	-\$24,208	-\$7,677
Oil, Gas and Geothermal Protection (Minor increase to finance the relocation of Long Beach Geothermal District Office to El Centro due to Imperial Valley workload increase)	5,147,803	5,328,136	+174,595	—	-16,589	+22,327	+180,333
Special Services for Resource Protection (An additional \$643,577 from the Energy and Resources Fund to continue (1) development and operation of the California Automated Resource Inventory System (CARI) established in the current year, and (2) Soils Information activities; reduction of \$319,516 from the Environmental License Plate Fund (ELPF) reflecting completion of one-year agriculture lands mapping project; increase of \$145,000 from ELPF for first year of a two-year project to evaluate methods for controlling wind erosion at three test sites)	1,100,353	952,327	-6,048	-141,978	—	—	-148,026
Administration							
Undistributed	35,100	37,500	—	—	—	+2,400	+2,400
Distributed	(1,973,558)	(2,068,865)	—	—	—	—	(+95,307)
Totals	\$14,080,778	\$14,107,808	+\$233,256	-\$206,937	+\$192	+\$519	+\$27,030

* Includes Energy and Resources Fund (+\$37,960), Environmental License Plate Fund (-\$174,516), and Strong-Motion Instrumentation Fund (-\$70,381)

DEPARTMENT OF CONSERVATION—Continued

Table 1 summarizes the department's total expenditures, including reimbursements, by funding source, and identifies significant changes proposed for 1981-82.

GEOLOGIC HAZARDS AND MINERAL RESOURCES CONSERVATION

The objective of the geologic hazard and mineral resources conservation program is to (1) identify and map geologic hazards, (2) conduct geologic investigations, (3) identify mineral resources, and (4) assist in the conservation and development of mineral resources. These activities are conducted by the Division of Mines and Geology. Budget year expenditures are estimated at \$7,839,845, which is an increase of \$42,323, or less than 0.5 percent, over the estimated current year expenditure.

"Special Adjustment" Deletes Fault Monitoring Funds

We recommend that Item 348-001-001 be increased by \$50,000 to restore contract funds for earthquake fault monitoring work which would have to be terminated pursuant to a "special adjustment" reduction in the department's General Fund support budget.

The budget includes a "special adjustment" reduction of \$50,000 in General Fund support for the department. The money has been supporting an ongoing Division of Mines and Geology contract to measure fixed points along the San Andreas Fault in northern and southern California through the use of geodimeters. These instruments use laser beams to measure small crustal movements along the fault. The increasing strains measured by these instruments may provide early warning of potential earthquakes. (Similar instruments are in use to monitor crustal movement on the surface and within the crater of Mount St. Helens in the State of Washington.)

Item 069-001-001 contains a proposal to augment the General Fund budget of the Office of Emergency Services (OES) by \$4,653,000 to finance a new multi-departmental program of earthquake preparedness and response. At the time this analysis was prepared, few details were available from OES concerning this proposed augmentation. However, we have been advised that some portion of this money will be spent by other state agencies through interdepartmental contracts with OES.

The Division of Mines and Geology (DMG) functions as the state's chief geologic agent, and as such has responsibility for several earthquake safety and fault mapping programs. These include: (1) the Strong-Motion Instrumentation Program, which finances the operation of equipment and processing of data measuring the response of buildings and critical structures to earthquakes, (2) mapping the location of active faults and (3) measuring fault movements.

We believe it is illogical to finance new, inadequately defined initiatives by OES in the area of earthquake preparedness and response, while at the same time the ability of the state's chief geologic agent to conduct basic research on the San Andreas Fault is diminished. For this reason, we recommend that the \$50,000 in contract funds be restored. In the event that the Legislature approves all or part of the \$4.5 million proposed for earthquake preparedness work by OES, these funds would be a potential source of funding for the DMG geodimeter project.

Surface Mining and Reclamation Act (SMARA) Funding Deficit

We recommend that language be added to Item 348-001-035 of the Budget Bill as follows:

"5. Provided further that any salary and staff benefit increases which apply to the Surface Mining and Reclamation Act shall be paid from the Surface Mining and Reclamation Account."

The budget contains \$1.1 million to support 23 Division of Mines and Geology positions that administer provisions of the Surface Mining and Reclamation Act of 1975 (SMARA). This amount is equal to estimated expenditures in the current year. The funds budgeted include \$855,156 to support of 17.5 positions in the SMARA land classification unit, and \$244,844 to support of 5.5 positions in the mined land reclamation unit.

Chapter 800, Statutes of 1980, made major policy revisions and funding changes in the SMARA statute. These changes:

1. Require the Mining and Geology Board to review and certify local mining ordinances for their conformance with state policy. After November 1, 1981, persons would be prohibited from initiating a surface mining operation in any local jurisdiction which does not have a certified ordinance in effect, unless a reclamation plan has been submitted to and approved by the board.
2. Authorize the State Geologist to classify the significance of mineral deposits within any area designated by the Mining and Geology Board, including areas where classification has been specifically requested through a petition to the board. Previously such classification work was limited to areas subject to urbanization and other irreversible land uses.
3. Shift the department's support costs for administering SMARA from the General Fund to revenues received each year by the state as a result of mining activities conducted on federal lands in California. The legislation established the Surface Mining and Reclamation Account in the General Fund, and requires that the first \$1.1 million in such federal revenues received by the state each year be deposited in it. Any unappropriated portion of the \$1.1 million must be transferred to the General Fund on June 30 of each year.

Chapter 800 appropriated the full \$1.1 million to the department to support SMARA activities in 1980-81. This amount provides for a \$639,317 increase in expenditures to SMARA above the 1979-80 fiscal year level. Most of the increase (\$429,005) is being used to fund additional land classification projects conducted by the division. The remainder of the increase (\$210,312) was allocated to mined land reclamation work. The budget indicates that the full \$1.1 million provided by Chapter 800 will be spent during the current year, and that no carry-over funds will be available for appropriation from the special account in 1981-82.

The budget proposes an appropriation of the same amount, \$1.1 million, from the special account for 1981-82. Thus, no allowance for any cost increases that might occur during the budget year is made by the budget. Consequently, it is not clear how the department intends to finance any salary or staff benefit increases which might be authorized by the Legislature.

To assure that these costs do not impose an additional burden on the General Fund, we recommend that control language be added which would require that any approved salary and staff benefit increases are paid from the surface Mining and Reclamation Fund.

In order to permit funding any salary or benefit increases, the department should plan for an administrative reserve within the \$1.1 million appropriation requested for SMARA. This may require some reduction in program activities. Due to the statutory requirement that all local mining ordinances be reviewed for certification by the Mining and Geology Board prior to November 1, 1981, funds for mined land reclamation work should not be reduced. Since the department has

DEPARTMENT OF CONSERVATION—Continued

not submitted information concerning the cost of individual land classification projects planned for in 1981–82, the reduction should be made in the SMARA land classification element.

To avoid the problem of increasing costs and fixed revenues for SMARA in future years, the department may wish to seek legislation to change the funding mechanism for the program.

OIL, GAS AND GEOTHERMAL PROTECTION

The Oil, Gas and Geothermal Protection program is administered by the Division of Oil and Gas (DOG). The division is a regulatory agency which supervises the drilling, operation, maintenance and abandonment of petroleum and geothermal wells.

Budget year expenditures are estimated at \$5,328,136, which is an increase of \$180,333, or 3.5 percent, above the estimated current year expenditure. Fees charged operators of oil, gas and geothermal wells, plus reimbursements and money from the sale of publications, are deposited in the General Fund. These revenues fully finance the division's operations.

Well Abandonment Funds Overbudgeted

We recommend that Item 348-001-001 be reduced by \$90,000 to correct overbudgeting in contract funds for abandonment and corrective work on hazardous, idle and deserted oil and gas wells.

The budget includes a request for \$280,000 in contract funds to finance abandonment and corrective work by the Division of Oil and Gas on hazardous, idle and deserted oil and gas wells. This compares to \$120,000 in estimated expenditures for work on 13 such wells during the current year.

Budget expenditure detail submitted by the department indicates that a total of \$190,000 in contract funds will actually be needed to finance abandonment and corrective work on an estimated 20 wells in 1981–82. This is \$90,000 less than the amount requested. We recommend that contract funds be reduced by this amount to correct for overbudgeting in this expenditure category. This will still provide \$190,000 for abandonment and corrective work, which is an increase of approximately 58 percent over estimated current year expenditures, and at the same time result in a \$90,000 savings to the General Fund.

SPECIAL SERVICES FOR RESOURCES PROTECTION

The Special Services for Resources Protection program has three components: (1) administration of subventions to cities and counties for open-space lands (2) mapping and demonstration projects aimed at identification and preservation of the state's oil resource, and (3) development of the California Automated Resource Inventory (CARI) System.

Budget year expenditures are estimated at \$925,327, a decrease of \$148,026, or 13.5 percent, from the \$1,100,353 estimated to be spent in the current year. The decrease reflects completion of an agricultural lands mapping project conducted through a contract with the U.S. Soil Conservation Service. Most of the expenditures proposed for the budget year by the Special Services unit are financed through the Energy and Resources Fund.

Soil Resources Planning

We recommend a reduction of \$109,102 from Item 348-001-188 to delete funds for ongoing soils data gathering and planning activities conducted by the department's Special Services Unit.

The department has requested \$109,102 from the Energy and Resources Fund

(ERF) and \$70,000 from the General Fund to continue soils inventory, mapping and coordination activities conducted by the Special Services Unit. Budget detail indicates that the \$109,102 will be used to (1) continue support of staff positions added last year, (2) finance compilation and printing of 10 additional general soils maps by the University of California, Davis, and (3) support several unspecified demonstration projects covering a variety of soil related issues.

Four years ago the Legislature appropriated funds to the department for planning a limited soils program. The department spent \$42,600 for this purpose in 1977-78. During 1978-79, additional amounts were provided to continue this planning effort and to enable the department to assume certain responsibilities previously performed by the Resources Conservation Commission.

The department's two-year planning effort culminated with preparation of a report (*California Soils: An Assessment*) which was submitted to the Legislature in April 1979. During hearings on the 1979 Budget Bill, the department indicated that legislation would be sponsored during 1979-80 to (1) implement the report's recommendations, and (2) establish statutory authority and departmental programs relative to soil resource protection. However, legislation providing a specific program and departmental role in soil resource protection has not been enacted.

Last year, the department requested a total of \$400,000 from the Energy and Resources Fund to finance new soils inventory and mapping activities, to be conducted both independently and in cooperation with the federal government, the California Association of Resource Conservation Districts, the California Soil Survey Committee, and the University of California, Davis. The Legislature reduced this amount to \$100,000, which the department indicated would be utilized to finance publication of 10 General Soils Maps by the University of California, Davis.

Continued ERF support in 1981-82 of the department's activities in soil resource protection does not appear justified for several reasons:

- The ongoing soils program is somewhat open-ended and lacks specific direction and purpose. This is due, in part, to the department's inability to develop enabling legislation defining a role for the department in soil resource protection.
- The department has not submitted adequate information concerning the location, nature or cost of demonstration projects proposed for the budget year. Also, it appears premature to finance publication of additional soil maps by the University of California, Davis, when it is not clear (1) who will utilize these products, and (2) whether such work duplicates other soil mapping programs by the Department of Forestry and U.S. Soil Conservation Service.
- Most of the funds requested from ERF for soils work in the budget year would be used to support existing positions and continue ongoing activities. Legislation establishing the Energy and Resources Fund (Chapter 899, Statutes of 1980) provides that expenditures from this source are to be used only for short-term projects and not for ongoing programs.

For these reasons, we recommend that the \$109,102 requested from ERF be deleted.

Work Program for CARI Uncertain

We defer recommendation on \$534,475 requested to continue development of the California Automated Resource Inventory (CARI) System, pending submittal of additional information covering work projects and activities to be conducted by this program in 1981-82.

The department has requested an additional \$534,475 from the Energy and Resources Fund (ERF) to support 6 positions and continue development of the California Automated Resource Inventory (CARI) System. This program was established in the current year through a \$500,000 appropriation from the same

DEPARTMENT OF CONSERVATION—Continued

funding source. Budget detail indicates that the objectives of the CARI program are:

1. To identify, automate, store and provide information on California's resources.
2. To develop the necessary computer software for providing CARI data to other systems and programs.
3. To increase awareness of the benefits of automated technology by providing leadership and expertise to all users of earth resources data.

According to the department, the CARI System is the only centralized computer information base in California that provides earth resources data on a state-wide basis. During the current year, program staff are working closely with several other projects conducted by other state agencies, to ensure that CARI information is compatible with other data bases. These other projects include:

- The Forest Resources Assessment Program (FRAP), conducted by the Department of Forestry.
- The California National Diversity Data Base, conducted jointly by the Department of Fish and Game and Nature Conservancy (a nonprofit organization), pursuant to a cooperative agreement.
- Emergency Disaster Planning, conducted by the California National Guard.

The CARI program is also integrating data being developed in conjunction with preparation of agricultural and farmland maps. These maps are being published in the current year by the U.S. Soil Conservation Service, pursuant to a contract with the department and supported with an appropriation from the Environmental License Plate Fund. This mapping effort is a one-year project and no funds are requested to continue it in 1981-82.

Budget detail indicates that the \$534,475 requested from ERF for support of CARI in 1981-82, will continue work begun in the current year. Under Item 354-001-001, we discuss the Forest Resources Assessment Program (FRAP) conducted by the Department of Forestry. For the reasons discussed there, we have recommended that General Fund support for the FRAP program during the budget year be eliminated. Under Item 360-001-140, we discuss the California Natural Diversity Data Base, which has been proposed for funding through the Department of Fish and Game (DFG) Natural Areas Program. Because the Legislature has directed DFG to seek legislation establishing a statutory basis for this program, we have recommended that the program's 1981-82 funding needs be considered in conjunction with such legislation and not be provided in the Budget Bill.

Much of the work proposed for continued funding as part of CARI assumes that the related programs carried on by other state agencies will continue in 1981-82. The department has not provided any information concerning other CARI work projects which might justify continued support of the program at the level budgeted. Also, it is not clear whether continued support of CARI through the Energy and Resources Fund (ERF) is appropriate. Chapter 899, Statutes of 1980, provides that expenditures from this funding source are to be used only for short-term projects and not ongoing programs. The funds budgeted for CARI would be utilized to support existing staff and a continuing program.

For these reasons, we withhold recommendation pending receipt of additional information concerning work projects proposed for CARI during the budget year.

DEPARTMENT OF FORESTRY

Item 354 from the General

Fund and various funds

Budget p. R 60

Requested 1981-82	\$127,417,350
Estimated 1980-81	132,482,798
Actual 1979-80	106,038,683
Requested decrease (excluding amount for salary increases) \$5,065,448 (-3.8 percent)	
Total recommended reduction	7,626,717

1981-82 FUNDING BY ITEM AND SOURCE

Item	Description	Fund	Amount
354-001-001—Department of Forestry Primary Support		General	\$114,121,103
354-001-140—Soil Erosion Study		California Environmental License Plate	157,104
354-001-188—Wildfire and Chaparral Management, Urban Forestry Nurseries		Energy and Resources	6,248,660
354-001-300—Department of Forestry Registration of Foresters		Professional Forester	75,263
354-001-890—Various		Federal Trust	(1,595,019)
354-001-928—Forest Improvement, Urban Forestry, Timber Harvest Plan Review		Forest Resources	6,797,259
354-001-965—Department of Forestry		Timber Tax	17,961
354-011-928—State Forest System, Support		Forest Resources Improvement	(1,453,047)
Total			\$127,417,350

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

Analysis
page

1. *Equipment Costs. Reduce Item 354-001-001 by \$588,086.* Recommend reductions to correct overbudgeting for replacement of equipment. 515
2. *Adjustments in State Responsibility Area Fire Protection.* Recommend Department of Forestry report to the Legislature by November 1, 1981, on the impact of adjustments made by Board of Forestry to state responsibility areas which are provided fire protection at General Fund expense. Further recommend Department of Finance identify changes in the level of funding for 1982-83 that will result from these adjustments. 517
3. *Billing Procedures Deficient. Reduce Item 354-001-001 by \$3,453,620.* Recommend reduction to require prompt and accurate billing for Emergency Fund fire protection expenses incurred in providing reimbursable assistance to federal agencies in prior years. Further recommend department (1) prepare and submit bills for recovery of such costs within 120 days after control of the fire, and (2) report quarterly to the Legislature on all Emergency Fund expenditures incurred in providing assistance to federal agencies. 519
4. *Ceiling on Paid Overtime.* Recommend department revise its 40-hour ceiling on paid overtime to permit billing the federal 521

DEPARTMENT OF FORESTRY—Continued

- agencies for all overtime accumulated by fire suppression employees who provide them reimbursable assistance.
5. *Wildfire and Chaparral Management. Reduce Item 354-001-188 by \$991,493.* Recommend reduction to delete excessive funds budgeted for prescribed burning and vegetation management program. 522
 6. *Timber Harvest Plan Positions. Reduce Item 354-001-928 by \$253,537; increase Item 354-001-140 by the same amount.* Recommend support of timber harvest plan review positions be shifted from Energy and Resources Fund to Environmental License Plate Fund because this activity is ongoing. 525
 7. *Backlog of Timber Harvest Plan Inspections.* Recommend department report to the Legislature at the time of budget hearings on how it intends to handle existing workload for administration of the Forest Practice Act without additional positions. 525
 8. *Forest Practice Act Corrective Actions. Increase Item 354-001-001 by \$100,000.* Recommend (1) augmentation to permit department to finance corrective work for violations of the Forest Practice Act, and (2) enactment of legislation to require indemnity bonds for timber harvest operations. 526
 9. *Soil Erosion Study. Reduce Item 354-001-140 by \$157,104.* Recommend reduction because study has been terminated. 528
 10. *Forest Resources Assessment. Reduce Item 354-001-001 by \$326,789.* Recommend deletion of General Fund support for Forest Resources Assessment Program because the amount requested has not been justified. 528
 11. *Urban Forestry Training and Nurseries. Reduce Item 354-001-188 by \$2,209,625.* Recommend deletion of support for new urban forestry trainee and urban tree nurseries program because the proposal is not well-defined and would commit the state to provide continuing support from the Energy and Resources Fund. 529
 12. *Affirmative Action.* Recommend the department report to the Legislature at the time of budget hearings on how it plans to comply with the State Personnel Board's directive to improve its Affirmative Action Program. 531

GENERAL PROGRAM STATEMENT

The Department of Forestry provides fire protection services for approximately 33 million acres of privately-owned timber, range and brushland. It also contracts with 29 counties to provide fire protection services in 37 areas which are a local responsibility. The department also (1) regulates logging activities on private forestland, (2) provides advisory and financial assistance to landowners on forest and range management, (3) regulates controlled burning of brushlands, and (4) manages seven state forests.

The nine-member Board of Forestry provides policy guidance to the department. It establishes forest practice rules and classifies private wildlands as state responsibility lands for fire protection purposes. The members of the board are appointed by the Governor.

ANALYSIS AND RECOMMENDATIONS

The budget proposes seven appropriations totaling \$127,417,350 from the General Fund and various funds for support of Department of Forestry activities in 1981-82. This is \$5,065,448, or 3.8 percent less than estimated current-year expenditures. However, the current-year amount includes expenditures from the Emergency Fund that are estimated at \$10 million. The budget request makes no allowance for such expenditures in the budget year, and as a consequence, the amounts shown in the budget for the two years are not comparable. If the Emergency Fund expenditures are excluded from the total for the current year, the budget shows an increase of 4 percent in 1981-82. Budget-year expenditures will increase further by the amount of any salary or staff benefit increases approved for 1981-82.

Funding Sources

The department estimates that total expenditures from all sources for support programs will be \$163,668,642 in 1981-82, which is \$3,920,862, or 2.3 percent, below the comparable amount for the current year. This amount will be financed from the following sources:

1. Items 354-001-001 through 354-011-928	\$127,417,350
2. Chapter 1104, Statutes of 1979 (wood energy project)	138,380
3. Federal Trust funds	1,595,019
4. Reimbursements	34,517,893
Total	\$163,668,642

The reimbursements are for:

Local fire protection services provided to counties, cities, and special districts, using department fire fighters	\$26,777,223
Supervision and training of California Conservation Corpsmembers	3,736,740
Conservation Center Instructors and camp support (funded by the Department of Corrections)	2,494,969
Subsistence and other services provided to employees	612,957
Tahoe Basin forest improvement (financed by the State Water Resources Control Board)	164,980
Licensing timber operators	73,000
Miscellaneous	658,024
Total	\$34,517,893

Budget Changes

Table 1 summarizes the department's budget by funding sources and identifies significant changes proposed for 1981-82. These changes are discussed below.

Current-Year Expenditures Not Continued. The department's support request for 1981-82 reflects a decrease in expenditures because the current-year amount includes several one-time expenditures:

- \$10 million in estimated Emergency Fund expenditures for emergency fire suppression work. Similar expenditures from the Emergency Fund are not estimated for 1981-82. Such expenditures will depend on the number and cost of wildland fire during the budget year which cannot be estimated.
- \$1.3 million in General Fund expenditures for a one-time increase in air attack and fire crews in southern California. The increase was provided in anticipation of a severe fire season during the summer of 1980 because of problems resulting from the winter storms.
- \$1 million in General Fund expenditures for employee relocation and other administrative costs associated with termination of the department's local fire protection contract with Orange County during 1980.

Table 1
Department of Forestry
Program Changes by Funding Source

<i>Program and Significant Changes</i>	<i>Changes In</i>						<i>Changes from 1980-81</i>
	<i>Estimated 1980-81</i>	<i>Proposed 1981-82</i>	<i>General Fund</i>	<i>Special funds*</i>	<i>Federal Trust Fund</i>	<i>Reimbursements</i>	
Fire Protection, State Responsibility Lands	\$117,301,148	\$108,108,216	—\$10,319,248	—\$100,000	—\$833,191	+\$2,059,507	—\$9,192,932
1. Reduction of \$1,306,431 and 33.5 personnel-years for one-time severe weather augmentation							
2. Increase of \$2,252,372 in reimbursements from Department of Corrections for 7 existing conservation camps and activation of 2 new camps.							
3. Increase of \$308,195 in contract services for air attack program.							
4. Reduction of \$833,191 in federal funds for support of special wildfire projects.							
5. Reduction of \$373,000 for "special adjustment" in General Fund Support.							
Fire Protection, Local Government Contracts	24,364,760	24,472,131	—	—	—	+107,371	+107,371
Resource Management	16,093,562	21,360,111	+181,496	+5,215,719	—178,512	+47,846	+5,266,549
1. Increase of \$4,039,035 (ERF) for 6 military-surplus helicopters to establish Wildfire and Chaparral Management Program.							
2. Increase of \$2,209,625 (Energy and Resources Fund) and 17.7 new positions for urban forestry nursery trainee program.							
Civil Defense and Other Emergencies	187,411	191,908	+4,497	—	—	—	4,497
Administration	9,642,623	9,536,276	—23,523	+113,991	—63,289	—133,526	—106,347
1. Reduction of \$263,400 for "special adjustment" in General Fund Support.							
Totals	\$167,589,504	\$163,668,642	—\$10,156,778	+\$5,229,710	—\$1,074,992	+\$2,081,198	—\$3,920,962

* Includes Forest Resources Investment Fund (+\$974), Energy and Resources Fund (+\$5,224,190), Environmental License Plate Fund (+\$2,412), Renewable Resources Investment Fund (no change), Professional Foresters Registration Fund (+\$2,104), and Timber Tax Fund (+\$30).

"Special Adjustment" Reductions. The budget proposes a \$636,400 reduction as a "special adjustment" in the department's General Fund support request for the budget year. This adjustment deletes support funds for (1) six fire captain positions, (2) nine personnel-years of fire prevention assistants, and (3) five regional conservation camp manager positions. Funds for these positions were provided for in the current year budget.

Budget Year Reductions in Federal Funds. As shown in Table 1, federal funds in 1981-82 will decrease \$1,074,992 from the current year level of \$2,670,011. Most of the decrease is due to elimination of \$590,147 in U.S. Forest Service funding previously available to the state pursuant to the Cooperative Forestry Assistance Act. These funds have been used in the past to cover the operating costs of the department's wildland fire fighting system. Other budget year reductions in federal funds reflect completion of one-time projects budgeted in the current year and not continued.

Budget Increases. The budget proposes increased or new funding as follows:

1. \$4,039,035 from the Energy and Resources Fund for 52 new positions (\$1,454,873), one-time conversion costs for 3 military surplus helicopters (\$801,550), and operating expenses for six military helicopters (\$1,782,612), which will be utilized for fire fighting and prescribed burning work under the Wildfire and Chaparral Management Program.
2. \$2,209,625 from the Energy and Resources Fund for 17.7 new positions to establish 10 inner city community urban forestry nurseries and a nursery trainee program.
3. \$308,195 from the General Fund to finance unanticipated increases in contract services for the air attack program.
4. \$64,098 to add seasonal forestry aide positions (3 personnel-years) at the Jackson, Boggs Mountain, Latour and Mt. Home State Forests.

Although not specifically identified as a funding increase, the department also proposes to redirect savings of \$100,338 to finance the addition of seasonal dispatcher clerks (2.5 personnel-years) at 12 Ranger Unit emergency command centers. The savings result from (1) closing three lookouts (Copper Peak, Guadalupe and Loma Prieta), (2) reducing staffing at three others (Pacheco Peak, Shade-quarter, and Allen Peak), and (3) a reduction in the amount the department pays Marin County for providing fire protection to certain state responsibility lands. The reduction in Marin County occurred because the department revised its contract with the county to exclude lands acquired by the federal government for the Point Reyes National Seashore and Golden Gate National Recreation Area.

Equipment Expenditures Overbudgeted

We recommend a reduction of \$588,086 in Item 354-001-001 to correct overbudgeting for replacement of equipment.

The budget requests \$6,854,172 for acquisition and replacement of equipment during 1981-82. This amount reflects an increase of \$2,093,767, or 44 percent, above

DEPARTMENT OF FORESTRY—Continued

estimated current year expenditures of \$4,760,405.

In the *Analysis of the 1980 Budget Bill*, we criticized the department for not preparing a Supplemental Schedule of Equipment (Schedule 9) to identify proposed budget year equipment expenditures, as required by Sections 6120 and 6125 of the State Administrative Manual. Subsequently, the Legislature adopted language in the Supplemental Report to the 1980 Budget Act directing the department to submit (a) a detailed listing and justification of equipment purchased for fiscal year 1980–81, and (b) a Schedule 9 covering proposed expenditures for 1981–82.

In response to this directive, the department submitted reports to the Legislature and this office on January 15, 1981. For the department's ongoing programs and activities, the Supplemental Schedule of Equipment indicates that Forestry needs \$4,660,792 for acquisition and replacement of equipment (fire engines, bulldozers, pick-up trucks, sedans, radios, etc.) during 1981–82. This amount reflects adjustments to (1) delete one-time current year equipment expenditures, and (2) provide a price increase for replacement of existing equipment, to compensate for inflation.

In addition to its Supplemental Schedule of Equipment, the department has submitted information concerning other itemized equipment purchases for new programs proposed in the budget. This information is provided in budget detail and budget change proposals (BCPs). The amount needed for new positions, projects, and major increases in existing programs totals \$1,605,294 from various funding sources (primarily the General Fund and reimbursements from the Department of Corrections).

The sum of the amounts requested for equipment purchases in (1) the department's Supplemental Schedule of Equipment and (2) budget change proposals and expansions, in \$6,266,086. This is \$588,086 less than the amount requested in the budget. Accordingly, we recommend that equipment funds be reduced by this amount to correct for overbudgeting. Our recommendation will still leave \$6,266,086 for equipment replacement and acquisition of new equipment which is an increase of approximately 32 percent over estimated current-year expenditures.

WATERSHED AND FIRE PROTECTION

The objective of the watershed and fire protection program is to protect private and state-owned watershed lands from fire, insects, disease and misuse by man. The fire protection, state responsibility element, is the largest single program element in the department. It includes nearly all of the field organizations of the department, and directly protects 28.1 million acres of land, most of which is in private ownership. The field facilities include 226 forest fire stations, 71 lookouts, 7 helitack units, 13 air attack bases, 32 conservation camps, and 8 California Conservation Corps (CCC) centers.

FIRE PROTECTION—STATE RESPONSIBILITY AREA (SRA)

Section 4125 of the Public Resources Code (PRC) requires the Board of Forestry to classify all privately-owned range, brush and timberland for the purpose of determining which areas are the responsibility of the state for preventing and suppressing wildland vegetation fires. Section 4126 of the PRC defines state responsibility lands as follows:

1. Lands covered wholly or in part by forests or trees producing forest products (timberland).
2. Lands covered wholly or in part by timber, brush, undergrowth, or grass, whether of commercial value or not, which protect the soil from excessive erosion, retard runoff of water or accelerated water percolation, if such lands

are sources of water which is available for irrigation or industrial use (water-shed).

3. Lands in areas which are principally used or useful for range or forage purposes which are contiguous to the land described above (grazing land).

Final authority for translating the statutory definition of Section 4126 into specific geographic boundaries rests with the Board of Forestry. Lands owned by the federal government or contained within the boundaries of incorporated cities may not be included within the state responsibility area (SRA), even if such lands meet any of the criteria defined in Section 4126.

The total amount of land currently classified as state responsibility is 33.1 million acres. Table 2 indicates the amount of acreage provided fire protection at state expense.

Table 2
Department of Forestry
State Responsibility Area Protection Summary
Acreage by Agency

	<i>Acres</i>
1. Direct protection provided by the Department of Forestry with state employees and equipment (does not include 3,531,711 acres of federal land directly protected by Forestry under reimbursement)	24,616,841
2. Contract protection provided by six counties under reimbursement from the department	4,038,933
3. Contract protection provided by the U.S. Forest Service under reimbursement from the department	4,053,569
4. Contract protection by other federal agencies (Bureau of Land Management, National Park Service, Bureau of Indian Affairs) under reimbursement from the department	449,762
Total	33,159,105

Adjustments in State Responsibility Area Fire Protection

We recommend the adoption of supplemental report language directing that: (1) the Department of Forestry report to the Legislature by November 1, 1981, on the program and fiscal impacts of adjustments made by the Board of Forestry to state responsibility areas protected by the department, the federal government and the six contract counties; and (2) the Department of Finance identify changes in the level of funding which will be needed as a result of the adjustments made by the board.

In the 1980-81 *Analysis*, we noted that the department last conducted a comprehensive review of state responsibility area (SRA) lands in 1970-71. Since that time, major segments of the SRA have been subdivided and developed, with entire communities having been built in some state responsibility areas. These areas should no longer be classified by the Board of Forestry as state responsibility land. Structural fire protection in these areas should be the responsibility of local government, and should be financed by property owners benefiting from this protection. If appropriate, the department can provide fire protection to such areas under contract with local government but not at General Fund expense.

SRA Review Project. In response to legislative direction last year, the department is currently conducting a major review of all SRA lands to exclude areas which should be the responsibility of local government or federal agencies. According to the department's schedule, it will be conducting necessary field work during the spring of 1981, with the statewide staff review, to be completed by June 15, 1981. Following this review, the Board of Forestry will conduct public hearings during September and October on the proposed changes. Final decisions on these changes are to be completed by October 15, 1981.

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Fewer Acres-Fewer Dollars. In light of the major increases in population and development in rural parts of the state since 1970-71, this statewide review should result in significant reductions in the size of the wildland area the Department of Forestry must protect at General Fund expense. In turn, these modifications may require changes in (1) the existing departmental fire fighting organization and structure, or (2) the cooperative agreements with contract counties and the federal government (primarily the U.S. Forest Service), or both.

Fewer acres of state responsibility land can sometime mean that fewer state dollars are needed for wildland fire protection. For example, the department recently revised its contract with Marin County to exclude 62,978 acres previously classified as state responsibility. The change in the contract reflected a transfer of land at Point Reyes from private to federal ownership, as part of the Golden Gate National Recreation Area (GGNRA). (Federal lands are not considered state responsibility lands for purposes of financing wildland fire protection). The result was a savings of \$97,698 to the state for 1980-81.

Based on recent information submitted to the Legislature as part of the department's review of SRA, (1) boundary adjustments, (2) land acquisition by the federal government, and (3) errors in acreage records, have in total reduced from 4,723,729 acres (1972) to 4,053,569 acres (1980) the amount of SRA land protected for the state by the U.S. Forest Service. Despite this 670,160-acre decrease (a reduction of 14.2 percent), no substantive adjustment has been made in the amount of funds budgeted for the U.S. Forest Service contract in 1981-82. We believe that the reduction in SRA land protected by the Forest Service should translate into savings to the state. Accordingly, we are recommending that the Forest Service contract be reviewed, and that appropriate adjustments be made in the amount budgeted for this contract next year.

Impact on the 1982-83 Budget. Any substantive revisions in state responsibility acreage made in conjunction with the comprehensive SRA review, should be followed by adjustments in the department's fire protection program and organization. For example, the department's contract with Orange County should be revised to reflect the deletion of the heavily urbanized and residential areas of Mission Viejo, El Toro and Laguna Hills from SRA status. In areas of the state where wildland fire protection is provided directly by department employees and equipment, significant revisions in the amount of SRA land may require changes in the location of CDF fire stations. These changes may, in time, have implications for the future capital outlay needs of the department.

To ensure that the department addresses the programmatic and fiscal impacts of the SRA review, we recommend the adoption of supplemental report language to provide for such analysis. We also recommend that any necessary changes in the level of funding for the state responsibility fire protection program be explicitly identified. Specifically, we recommend adoption of the following supplemental report language:

"1. The Department of Forestry (CDF) shall report to the Legislature by November 1, 1981, on the program and fiscal impacts of adjustments made by the Board of Forestry to state responsibility areas (SRA) protected by the Department of Forestry, the federal agencies and the counties.

2. The Department of Finance shall identify changes in the level of funding which is budgeted for contract lands and direct fire protection in 1982-83."

Billing Procedures Need Improvement

We recommend:

(1) *A reduction of \$3,453,620 from Item 354-001-001 with the objective of requiring prompt and accurate billing of Emergency Fund expenditures incurred by the department for fire protection provided to the U.S. Forest Service on an "assistance by hire" basis, and that language be added to Item 354-001-001 appropriating a corresponding amount of reimbursements to the department.*

(2) *That the department be directed to (a) prepare and submit bills for recovery of such costs no later than 120 days after control of the fire, and (b) report to the Legislature quarterly on all Emergency Fund expenditures incurred in providing assistance to federal agencies. Exceptions pursuant to (a) shall be permitted only if prior written notification is provided to the Chairman of the Joint Legislative Budget Committee by the department.*

Each year the Department of Forestry (CDF) provides assistance to the U.S. Forest Service in suppressing forest and brush fires which occur on national forestlands. When requested, the Forest Service provides reciprocal assistance to the department in controlling wildland fires occurring on state responsibility forest and brush-covered lands. In either case, assistance is provided in the form of fire engine crews, bulldozers, hand crews (California Conservation Corps, Department of Corrections inmate crews, etc.), pick-up labor, rented equipment, vehicles, air tankers, or logistical support through operation of field kitchens and staging areas. This interchange of personnel and equipment allows both the state and federal government to call upon the other's resources in times of emergency.

Costs for "Assistance by Hire" Recovered. Generally, assistance provided by either the state or federal government within the first 24 hours following initial attack on any wildland or forest fire is considered "mutual aid," and is not a reimbursable cost. However, under the terms of the department's existing cooperative fire protection agreement with the U.S. Forest Service, such fire suppression forces or support provided *after* the initial 24-hour period is considered "assistance by hire." The cooperative agreement specifies that such assistance is subject to full reimbursement by the requesting agency.

Following control of any fire for which the department has provided such assistance, a fire incident report is prepared which details the cause of the fire (if known), location, extent and type of acreage burned. Most importantly, the report shows the number of fire fighters committed to the fire incident, as well as the time spent by them and supervisory personnel. Based on this information, plus invoices and subpurchase orders for hired equipment and labor, the department prepares a fire cost report as a basis for charging the responsible agency for CDF's fire suppression activity and expenses. Costs for CDF air attack support provided under "assistance by hire" are billed directly to the federal agency by the air tanker operator.

Emergency Fund Impact. "Assistance by hire" can affect Emergency Fund expenditures in one of two ways:

1. The cost of all U.S. Forest Service crews or equipment requested by CDF for assistance on major state responsibility wildland fires is billed directly to the department and paid from the state's Emergency Fund. Such federal assistance on individual fires is considered to be part of the state's total fire suppression cost.

2. CDF crews, equipment or support provided in response to a request from the U.S. Forest Service to suppress a fire on federal land is also paid from the Emergency Fund. The department's Manual of Instructions treats out-of-pocket expenses for (1) subsistence and wages of regular CDF fire fighting personnel, (2) hand crew overtime, (3) pick-up labor and equipment rental, and (4) aerial fire retardant, as emergency fire costs.

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In either case, if the department has already spent the \$5 million in annual emergency fire suppression funds appropriated to it in the Budget Act, all additional costs are paid from a deficiency appropriation through the Emergency Fund. For fiscal 1979-80, the department's deficiency appropriation for emergency fire suppression costs in excess of \$5 million was \$9,302,813. This appropriation probably included money to cover some of the department's costs for providing assistance to federal agencies. When reimbursements are received for any of these costs, they are treated as revenue to the General Fund and not a reimbursement to the department's support budget.

Department of Finance Study. According to a recent study conducted by the Department of Finance, (*A Review of California Department of Forestry's Revenue and Reimbursement Collections for Fire Suppression Services*, July 1980), CDF's billing process for "assistance by hire" is slow, inaccurate, and does not assure full recovery of costs incurred by the state. The Department of Finance found that (1) CDF takes, on the average, about six months to prepare and submit billings to the U.S. Forest Service, and (2) Forestry's existing system of internal control does not provide sufficient assurance that all reimbursable fire protection services to other agencies are even billed.

Late billings cause the state to lose interest income. To the extent that the department does not bill for services provided to other agencies, state taxpayers are supporting the cost of activities that should be supported by others. In both cases, the amount available for other state purposes is reduced. In addition, it is improper to use the Emergency Fund as a source to compensate for routinely late billing by the department.

Outstanding Billings. Our analysis indicates that the state has failed to bill the U.S. Forest Service for the cost of providing "assistance for hire" in connection with at least three fires that occurred prior to July 1, 1980. These fires are (1) the Hog Fire in the Klamath National Forest during August 1977 (\$168,903), (2) the Pinecrest Fire in the Angeles National Forest during September 1979 (\$67,717) and (3) the Sage Fire which also occurred in the Angeles National Forest during September 1979 (approximately \$60,000). Although the department recognizes that it incurred nearly \$300,000 in costs by providing assistance to the federal government in connection with these fires, at the time this *Analysis* was prepared, bills still had not been completely prepared and submitted to the U.S. Forest Service.

Pending Billings. Between November 16 and 21, 1980, twenty-four major fires occurred in southern California which burned 51,000 acres and destroyed 96 structures. A force of 6,500 fire fighters fought these fires. On November 24, 1980, a second series of eleven fire occurred which extended into the first part of December. Both series of fires burned more than 90,000 acres and destroyed 370 structures. At one time in November, 8,600 people were involved in fire suppression efforts. Equipment committed to these fires included over 650 fire engines, 253 handcrews, 61 bulldozers, 34 air tankers and 127 helicopters.

The department has estimated that it spent a total of \$3,557,000 in providing personnel and equipment to fight these fires, most of which occurred on U.S. Forest Service land. The department expects to bill the Forest Service for its costs, and estimates that it will eventually recover from the federal government (1) \$2,649,000 in Emergency Fund expenditures, and (2) \$508,000 in regular salary and wages for CDF personnel. In addition, the department indicates that it may be able to recover \$681,000 in other Emergency Fund fire expenses for suppression of state responsibility fires during November from the Federal Emergency Management Administration (FEMA).

Corrective Action Required. Because the department is able to initially finance the cost of providing assistance to the federal government through the Emergency Fund, the CDF has little incentive to (1) accurately keep track of its costs for billing purposes, and (2) prepare and submit bills for reimbursement on a timely basis. It is possible that some reimbursable costs may *never* be recovered. For these reasons, and because bills have not been submitted for recoverable costs incurred in previous years, we recommend that the Legislature take the following actions:

1. To ensure that the state's costs for the 1977 and 1979 fires (\$296,620), and November 1980 fires in southern California (\$3,157,000) are reimbursed by the federal government prior to the end of the budget year, we recommend that the department's support budget be reduced by \$3,453,620, and the language be added to Item 354-001-001 providing that payment received by the federal government for these fires be treated as a reimbursement to the department.

2. To encourage the department to issue billings on a timely basis, we recommend adoption of supplemental report language directing the department to prepare and submit bills for recovery of future costs within 120 days after a fire has been controlled. We note that this 120-day requirement is already contained in the department's cooperative fire protection agreement with the U.S. Forest Service. Recognizing that large fires may involve (1) the compilation of numerous documents which must be audited, and (b) negotiation with the federal government to determine the responsibility of each agency when both federal and state responsibility wildlands are involved, we recommend that exceptions to the 120-day provision be permitted only if prior written notification is provided by the department to the Chairman of the Joint Legislative Budget Committee.

3. To expedite repayment in the future, we recommend the adoption of supplemental report language directing the department to report by memorandum to the Legislature on a quarterly basis on the approximate amount of emergency fire expenditures incurred for federal agencies. On this basis, the Legislature will be able to determine the extent of Emergency Fund use and need for deficiency appropriations during any fiscal year.

Specifically, we recommend that the Legislature approve the following supplemental report language:

- "1. The department shall prepare and submit bills for recovery of emergency fire costs incurred in providing reimbursable assistance to federal agencies no later than 120 days after control of the fire. Exceptions to this provision shall be permitted only if prior written notification is provided by the department to the Chairman of the Joint Legislative Budget Committee.

2. The department shall report to the Legislature on a quarterly basis on all emergency fire expenditures incurred in providing assistance to the federal government."

Ceiling on Paid Overtime Increases State Costs and Reduces Operational Flexibility

We recommend that the department be directed to revise its existing 40-hour ceiling on paid overtime for its fire suppression employees to permit direct billing for all overtime accumulated in providing reimbursable assistance to federal agencies.

As previously noted, the department's existing cooperative agreement with the U.S. Forest Service states that all emergency fire expenditures incurred while providing assistance shall be billed to and reimbursed by the requesting agency.

CDF Policy on Overtime. Currently, the Department of Forestry limits to 40 hours per year, the amount of paid overtime which each regular fire suppression employee may receive. Any overtime accumulated in excess of 40 hours annually is credited as CTO (compensatory time off). In the case of seasonal fire fighters, all overtime is credited as CTO.

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General Fund and Operational Impacts. When the department bills the U.S. Forest Service for reimbursable assistance provided in connection with federal wildfires, it does not recover any costs for employee overtime which is charged to CTO. This is because the Forest Service does not recognize CTO as an out-of-pocket expense to the department. This practice ultimately increases General Fund costs and reduces operational flexibility in three ways:

- When seasonal fire fighters are terminated, they are paid in cash from the General Fund for any unused CTO accumulated during the fire season, including CTO earned while working on federal fires.
- Permanent CDF personnel must be available to work when other fire fighting employees take time off to reduce accumulated CTO balances, including CTO earned when the employees provided assistance to the federal government on U.S. Forest Service fires.
- Because so many employees accumulate large CTO balances during the fire season, the amount of other department work, such as prescribed burning, fire prevention, training, and maintenance, that can be conducted during the wintertime is reduced because these employees must use their compensatory time off.

To reduce the General Fund cost of providing fire suppression assistance to the federal government and to permit greater use of permanent CDF fire fighting personnel during the nonfire season, we recommend that the Legislature direct the department to modify its policy on paid overtime. Accordingly, we recommend the adoption of the following supplemental report language:

"The department shall (1) pay fire fighting personnel for all overtime earned when reimbursable assistance is provided to the federal government for suppressing forest or brush fires; and (2) recover all such costs by billing the responsible federal agency for such assistance. The 40-hour ceiling on paid overtime shall continue to apply to suppression of state-responsibility wildfires."

Wildfire and Chaparral Management Program

We recommend a reduction of \$991,493 from Item 354-001-188 to delete excessive administrative positions (\$558,539) operating expenses (\$172,850), and unnecessary equipment (\$260,104), requested for the new Wildfire and Chaparral Management Program which is financed from the Energy and Resources Fund.

The department has requested 52 positions and \$4,039,035 from the Energy and Resources Fund so that six military surplus helicopters can be used in prescribed (controlled) burning projects and fire season helitack operations. The prescribed burning projects would be conducted pursuant to provisions of Chapter 525, Statutes of 1980, which authorize the department to (1) finance up to 90 percent of the cost for conducting prescribed burning projects on private lands, and (2) assume the cost for purchasing necessary liability insurance to protect third parties in case a prescribed burn gets out of control.

In the current year, the department is budgeted to acquire and convert for fire fighting purposes three military-surplus helicopters to replace three smaller helicopters which have been leased from private contractors for seasonal fire fighting. The budget requests funds in 1981-82 to finance the operation of the three military surplus helicopters, and to convert and operate an additional three such aircraft. The conversion of three additional military surplus helicopters will allow the phase-out of three more small leased helicopters during 1981-82. When the budget proposal is fully implemented, the department's helitack program will consist of six military-surplus helicopters operated and maintained by private contractors, and one small helicopter leased from a private firm. Prior to the current year, the

department leased seven helicopters from private sources.

The U.S. Air Force surplus helicopters are Bell UH-1F's. They have a nine-passenger capacity, whereas the helicopters leased from private contractors (Bell Jet Rangers) hold three passengers. The larger units increase the size of a fire fighting crew which can be flown to the scene of a wildland fire. They also have a greater lifting capacity, which is useful in providing water drops on wildland fires, as well as for prescribed burning operations, when the helicopter is equipped with a helitorch to ignite brush from the air.

Excessive Administrative Staff. The budget requests money from the Energy and Resources Fund to support 52 permanent positions associated with the year-round operation and use of the six helicopters. All but six of these positions would be added in the budget year. The six existing positions (one Forester III, one Forester I, one helicopter program manager, one stenographer, and one personnel-year of temporary help) were approved in the current year. The 46 new positions, which are listed in Table 3, would be used to administer the Wildfire and Chaparral Management Program and to provide field support for the prescribed burning.

Table 2
Department of Forestry
New Positions for Wildfire and Chaparral Management Program

<i>Number</i>	<i>Position Title</i>	<i>Salary^a</i>
1	Assistant Deputy State Forester.....	\$35,016
1	State Forest Ranger III.....	30,384
14	Forester II	474,566
14	Heavy Equipment Mechanic	286,272
4	Fire Captains.....	78,264
2	Fire Apparatus Engineers	35,690
1	Lead Pilot	23,550
1	Lead Mechanic	23,550
1	Watershed Hydrologist.....	30,384
6	Office Assistant II	67,680
1	Stenographer	11,508
Totals 46		\$1,096,864

^a Does not include staff benefits of approximately 28 percent.

Our analysis indicates that administrative staff proposed for the Wildfire and Chaparral Management Program is excessive for the following reasons:

1. **The 14 new Forester II positions are not justified on a workload basis.** These positions, which would be assigned to the department's 22 ranger units, are requested to perform the planning, training, and coordination for prescribed burning projects. Applications from landowners for prescribed burning projects, however, will be processed at the ranger district level, which is a subordinate management level to the ranger units. Presumably, the added workload at the ranger districts will be handled by existing staff. Furthermore, the 1980 Budget Act provided state funds for 12 field forester positions in the Forest Improvement Program, which should also be available to handle some added administrative responsibilities associated with new prescribed burning operations. Finally, increases have been provided for forestry management in both 1979-80 and 1980-81. These additional positions are located in the Sacramento office. Accordingly, we recommend that (1) \$474,566 in personal services and (2) \$261,190 in related operating expenses and equipment for the 14 Forester II positions be deleted.

2. **The addition of two more high-level administrative positions is unwarrant-**

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ed. Table 3 shows that the budget includes funds for an Assistant Deputy State Forester, and a State Forest Ranger III position. These high-level administrative positions would be assigned to Sacramento headquarters and presumably coordinate the Wildfire and Chaparral Management Program. In light of the 1979 reorganization of the director's office in Sacramento, which increased the number of deputy or assistant deputy director positions from two to four, we believe the requested positions are not needed. For this reason, we recommend that \$83,937 in personal services, and \$16,800 in associated operating expenses and equipment be deleted.

Equipment Over Budgeted. The budget proposal contains funds for one-time equipment purchases associated with the transition from privately-leased helicopters to state-owned military-surplus helicopters. Because the military-surplus UH-1F helicopter consumes more fuel per hour, than the smaller Jet Ranger helicopter (75 gallons per hour versus 35 gallons per hour), the department has proposed to purchase 6 new fuel trailers at a cost of \$120,000 or \$20,000 each. The department indicates that its existing helicopter service units do not have adequate fuel tanks to provide ground support for the larger UH-1F helicopters. However, the 1980 Budget Act already provides \$15,000 for acquisition and modification of three military-surplus fuel trucks at a cost of \$5,000 each. These trucks would provide ground support to the three UH-1F helicopters to be acquired in 1980-81. We recommend approval of an additional \$15,000 to finance the purchase and necessary modification of three more fuel trucks for the three additional helicopters. The balance of the request—\$105,000—does not appear to be needed, and we recommend that it be deleted.

Unspecified Contract Funds. The department has also requested \$50,000 in contract funds to reimburse other state agencies for assistance and expertise in developing prescribed burning plans. The department however, has been unable to identify which state agencies it proposes to contract with for such assistance. Furthermore, this \$50,000 does not appear as a reimbursement in any other state agency budget. Consequently, we recommend that this money be deleted.

Summary of Unneeded Funds. The reductions recommended above total \$991,493, and consist of the following:

- \$836,493 in personal services, operating equipment and expenses for 16 unnecessary administrative positions (14 Forester II's; a State Forest Ranger III; and an Assistant Deputy State Forester).
- \$105,000 in excess equipment expenditures for fuel trailers.
- \$50,000 for contracts with unidentified state agencies.

If these amounts are deleted, the budget would still provide \$3,047,542 for 36 positions and operation of the Wildfire and Chaparral Management Program during 1981-82. We recommend approval of the reduced amount.

RESOURCE MANAGEMENT

Activities in resource management include (1) regulation of timber harvesting on private lands pursuant to the Forest Practice Act, (2) management of 70,000 acres of state-owned forests, (3) operation of 3 forest nurseries, (4) emergency revegetation, (5) registration of professional foresters, (7) administration of the Forest Resources Assessment and Planning Act (FRAPA), and (8) funding of reforestation and urban forestry activities under the Forest Improvement Act.

Timber Harvest Plan Positions Improperly Funded

We recommend that (1) \$253,537 be deleted from Item 354-001-928 (Forest Resources Improvement Fund); and (2) Item 354-001-140 (Environmental License Plate Fund) be increased by a corresponding amount, to properly budget the cost of reimbursing the Departments of Fish and Game and Conservation for positions used in timber harvest plan review.

The budget requests \$253,537 from the Forest Resources Improvement Fund to reimburse the Departments of Fish and Game and Conservation for their assistance in reviewing timber harvest plans (THPs) for compliance with the Forest Practice Act and the California Environmental Quality Act. This review process was established in 1975 by the Secretary of Resources in lieu of requiring that separate environmental impact reports be prepared for each timber harvest plan. The \$253,537 budgeted in Item 354-001-928 reimburses the two departments for the cost of three full-time biologist and two geologist positions who work with Forestry staff on THP review and inspection of proposed timber cutting operations.

Prior to 1979, these biologist and geologist positions were financed by the Department of Forestry through its General Fund support budget. The funds were obtained by abolishing five forester positions in 1975 and redirecting the resulting savings to this activity. In 1979-80, the Legislature (1) shifted the cost of the biologist and geologist positions to the Environmental License Plate Fund, and (2) directed that the resulting General Fund savings be utilized by the department to restore the forester positions and fulfill unmet forest practices workload needs.

The budget proposes to finance these review team biologist and geologist positions from the Forest Resources Improvement Fund in 1981-82. This fund was created pursuant to Chapter 812, Statutes of 1979, for the purpose of financing cost-sharing agreements with private timber land owners through loans and grants for specified reforestation work. In addition, the department is authorized to utilize this fund to finance its urban forestry program and research on wood energy. Chapter 812 does not authorize use of the Forest Resources Improvement Fund for administrative costs associated with the Forest Practice Act. For this reason, we recommend that support funds for the review team positions come from the Environmental License Plate Fund (Item 354-001-140). This shift in funding source will result in savings to the Forest Resources Improvement Fund which can be used to finance additional reforestation projects authorized under the Forest Improvement Act of 1978.

Backlog of Timber Harvest Plan Inspections

We recommend that the department report at the time of budget hearings on how it intends to (1) handle the workload for the Forest Practice Act and (2) reduce the number of timber harvest completion and stocking reports which are delinquent or approved by default.

Pursuant to provisions of the Forest Practice Act, the Department of Forestry must provide for inspections of timber operations (1) prior to commencement of logging, (2) when operations are well underway, and (3) following completion of the harvesting activities. Other inspections must be conducted by the department to verify stocking reports submitted by the timber owner, and to otherwise enforce the act. The department may also authorize emergency and exempt timber operations which require additional field inspections.

Workload. Currently, the department is processing an average of approximately 2,000 timber harvest plans (THPs) per year. According to the department, a total of 11,742 plans have been approved during the last six years. Approximately 700 of the THPs have been cancelled, leaving a total of 11,012 THPs active plans. Of these active plans, 3,537 (32.1 percent) still require completion reports and inspections, and 6,839 plans (62.1 percent) still require stocking reports (or waiver

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requests) from timber owners, plus field inspections by the department.

The number of active plans which have not been closed out is large because of the amount of time provided by the Forest Practice Act for operators to complete harvesting activities and to meet replanting or regeneration requirements. After a timber harvest plan is approved, an operator has up to three years to complete the harvest and five years to meet minimum Board of Forestry stocking standards. This means that the total number of active plans continues to increase this year.

Impact. Our analysis indicates that the increasing number of active timber harvest plans is creating serious workload problems for the department. The department does not have sufficient staffing to conduct the necessary field work and inspections required by law. As of December 1, 1980, 365 work completion reports, and 223 stocking reports were approved by default because the department failed to act on them within the 6-month time period specified by law.

The department indicates that as of December 1, 1980, there were 680 THPs with delinquent completion reports, and 118 other plans with delinquent stocking reports. These delinquent plans constitute additional workload which the department may not be able to handle with its existing staff. This is especially likely because additional field inspections may be necessary to determine whether corrective work is required at the sites of the previous timber operations. Furthermore, even if the necessary completion and stocking reports for these delinquent plans are submitted by the timber owners, it is likely that many of these plans will receive default approval, due to the apparent inability of the department to act on them promptly.

The number of delinquent plans and the number of plans approved by default indicate serious deficiencies in CDF's administration of the Forest Practice Act. Part of the problem is due to CDF's unwillingness to request adequate money and staffing for the Forest Practice Act.

Given this situation, we recommend that the department report to the fiscal subcommittees during budget hearings on how it plans to (1) handle the workload for the Forest Practice Act, and (2) reduce the number of timber harvest completion and stocking reports which are currently delinquent or approved by default.

Forest Practice Act Corrective Actions

We recommend:

(1) An augmentation of \$100,000 to Item 354-001-001 to permit correction of Forest Practice Act violations pending reimbursement through liens on property, and

(2) Enactment of legislation to require the deposit of indemnity bonds for timber operations.

Forest Practice Enforcement Provisions. Pursuant to Section 4605 of the Public Resources Code, the Department of Forestry may bring a legal action against a timber operator or owner to enjoin a violation, or threatened violation, of (1) any provision of the Z'berg-Nejedly Forest Practice Act, (2) Board of Forestry rules and regulations, or (3) the applicable timber harvest plan (THP). If the court determines that a violation has occurred, or is likely to occur, a temporary restraining order may be issued directing the immediate discontinuance of the timber operation pending a hearing. Environmental damage, however, may occur during the period required to secure the court order.

Upon a finding by the court that immediate and irreparable harm is threatened to soil resources or the waters of the state due to erosion or pollution, the court may (1) order the defendant to take appropriate emergency corrective action, or (2) authorize the department to take or order emergency action to correct the

violation. Any expenses incurred by the department in carrying out such an order, or taking corrective action itself, are recoverable from the defendant. To ensure recovery of such costs, existing law authorizes the department to record a lien on the property requiring the corrective action.

The department may take corrective action, or order corrective action, with respect to:

- Improper disposal of logging slash (debris) left in streams or presenting a fire hazard.
- Failure to provide erosion control methods specified in the timber harvest plan (THP).
- Cutting in excess of the timber harvesting or silvicultural method approved in the THP.
- Failure to meet required stocking standards by natural regeneration of the harvesting site or planting of seedlings.
- Damage to streams providing spawning habitat to anadromous fisheries (salmon and steelhead trout) by misuse of equipment or improper road construction methods.

Budget Constraints. Although the department is authorized to recover its expenses through the recording of liens on the affected property, CDF does not have the funds needed to finance corrective work unless it redirects funds from other activities approved by the Legislature. Moreover, any costs that are eventually recovered are deposited as revenue in the General Fund, and are not credited as a reimbursement to the department's operating budget. Therefore, the amount of funds available in any given fiscal year limits the ability of the department to perform corrective work.

In past years, there were only one or two violations per year requiring CDF to perform corrective work. Two years ago, however, the department hired a forest practice litigation coordinator, and this has resulted in a substantial increase in civil and administrative enforcement action. CDF is having difficulty financing the work resulting from this enforcement activity.

At the present time, a corrective action case is pending in Mendocino County, and may require the department to dispose of logging slash and perform erosion control work in 800 acres at an estimated cost of \$50,000. This work is required because the timber operator has refused to comply with the department's order. In addition, two other cases involving timber operations in El Dorado and Calaveras Counties are on administrative appeal. In these two instances, the timber harvest plan provided for selective logging, with stocking requirements to be met immediately after completion of the operation. In both cases, however, the timber was clearcut in violation of the plans, and the operators have refused to perform any corrective work to replant the sites. As a consequence, the department may have to finance this corrective work during 1981-82. No funds are included in the budget to finance any of the potential corrective work in Calaveras, El Dorado or Mendocino Counties.

Budget Year Impact. To ensure that the department is able to adequately perform and finance any work necessary to correct timber harvest violations during 1981-82, we recommend that \$100,000 be added to the department's budget for this purpose. The money will (1) permit CDF to carry out any necessary corrective work promptly so as to minimize environmental damage, and (2) prevent the department from having to redirect funds budgeted for other legislatively-approved programs to finance such work. The funds should be spent to cover only the cost of corrective work which is recoverable under provisions of the Forest Practice Act.

Legislation Needed. Paying for necessary corrective work would not be a

DEPARTMENT OF FORESTRY—Continued

problem if CDF could require the posting of a security bond. The Department of Forestry, however, may currently require bonding for timber operations only when settling litigation. In contrast, under existing law, all operators of oil and gas wells in California are required to post bonds to indemnify the state for any costs the Division of Oil and Gas (Department of Conservation) may incur in performing corrective work on hazardous or improperly abandoned wells which pose a threat of water pollution or environmental damage.

We recommend that legislation be enacted to authorize bonding requirements for *all* timber operations conducted under provisions of the Forest Practice Act. In this manner, the department could ensure that any substantive violations of timber harvest plans are corrected. Once the timber harvest has been completed in conformance with the plan and stocking requirements are met, the bond could be released. If corrective work must be performed by the department, the state's costs would be reimbursed from the indemnity bond.

Soil Erosion Study Disbanded

We recommend a reduction of \$157,104 in item 254-001-140 to delete funds for support of the soil erosion study which has been terminated.

Item 354-001-140 appropriates \$157,104 from the Environmental License Plate Fund for 4.8 positions to study the effects of timber operations on soil erosion. This project was initiated in 1976-77. Funds totaling \$154,692 were appropriated in the 1980 Budget Act to finance (1) a senior geologist position under contract from the Department of Conservation (Division of Mines and Geology), plus clerical support, and (2) temporary help. In previous years most of the field survey and statistical work for the study was conducted by graduate students from the University of California, Berkeley.

Shortly after enactment of the 1980 Budget Act, the Department of Forestry terminated its contract with the Department of Conservation, and disbanded the soil erosion study project. We are advised that Forestry discontinued the project because it was dissatisfied with the design of the study and the work being conducted under it. We have not been able to determine what the department has utilized the budgeted funds for in the current year.

Because the soil erosion study project has been terminated, we recommend that 4.8 positions and \$157,104 requested for this project be deleted.

Forest Resources Assessment Program

We recommend a reduction of \$326,789 in Item 354-001-001 to delete state funds for support of the Forest Resources Assessment Program.

The budget requests \$326,789 from the General Fund and provides \$85,000 in federal funds from the U.S. Forest Service for support of six positions to continue the Forest Resources Assessment Program (FRAP) during 1981-82. Two other positions previously budgeted through FRAP were redirected during the current year to other departmental programs and activities. An unknown amount of funds for these two redirected positions is also proposed in the budget year.

Chapter 1163, Statutes of 1977, appropriated \$400,500 to the department for the purpose of financing the development of a forest resources planning program for California. The statute also required the department to report to the Board of Forestry by July 1, 1979 on the supply, demand and future availability of the state's various forest resources: timber, range, watershed, recreation, wilderness, fish and wildlife. Chapter 801, Statutes of 1978, requires that the initial report be updated by January 1, 1987, and every fifth year thereafter.

Based on these periodic assessments, the Board of Forestry is to prepare a forest resource policy statement consisting of the following:

1. A delineation of specific needs and opportunities for promoting both public and private forest resource management programs in California.
2. A discussion of priorities for accomplishment of program opportunities, with specified costs, results and possible constraints on implementation.
3. An analysis of the relation of the alternative forest resource policies to employment opportunities in California.

After completing work on its first forest assessment two years ago, the department advised the fiscal subcommittees that (1) the FRAP staff would be utilized during 1979-80 and 1980-81 to develop a work program leading up to the 1987 report update, and (2) the FRAP budget for 1981-82 would be evaluated based on this work program.

Budget detail submitted by the department does not reflect the results of any such evaluation, nor does it establish that FRAP will require six positions and \$411,789 in combined state-federal funding for the budget year.

Based on expenditures during the past and current fiscal years, and assuming that expenditures and staff levels continue in the future at the levels proposed for the budget year, the 1987 FRAP report would cost \$3,539,473 and require 52 personnel-years of effort. Actual costs would be higher because this estimate does not make any allowance for increases in salaries and operating expenses which would occur in future fiscal years.

Our analysis indicates that since the July 1979 report was completed, departmental activities and projects supported with FRAP funding have been conducted without any apparent direction or purpose.

Given the lack of direction in FRAP activities, the large potential costs implied by the budget request, and the absence of adequate justification for that request, we cannot recommend approval of the amount budgeted for FRAP in 1981-82.

If the department can define specific duties and research needs, it might be appropriate to continue two or three FRAP positions to (1) ensure continuity between the 1979 report and future assessments, and (2) provide a multi-disciplinary capability for long-range planning. The \$85,000 budgeted in federal funds from the U.S. Forest Service should be adequated for this purpose. General Fund support, however, would not be needed, and we recommend a reduction of \$326,789 in Item 354-001-001.

Urban Forestry Training and Nursery Program

We recommend a reduction of \$2,209,625 from Item 354-001-188 to delete funds for the proposed urban forestry training and nursery program because the proposal is not well-defined and would commit the state to provide continuing support from the Energy Resources Fund in future years, which is in conflict with existing law.

The department has requested \$2,209,625 from the Energy and Resources Fund for a program to (1) establish 10 inner city tree nurseries, and (2) provide training to 150 unemployed persons in tree care and nursery work. The budget request includes \$662,786 for 17.7 new department positions. The remaining \$1,546,839 is budgeted for the salaries of the trainees (\$1 million), and grants (\$546,839) to nonprofit groups to finance start-up costs for 10 inner city community tree nurseries at the following locations:

Los Angeles (6)
San Francisco-Oakland (2)
San Diego (1)
Fresno (1)

Urban Tree Nurseries. Once in operation, budget narrative indicates that the 10 nurseries would supply enough street trees for planting approximately 660 city blocks annually. The source of funding for ongoing operating costs at these nurseries, however, has not been identified.

DEPARTMENT OF FORESTRY—Continued

Budget detail indicates that 150 unemployed individuals from inner city areas would be recruited for training at commercial or government nurseries near the participating communities. These nurseries have not been identified. While receiving such training, the 150 individuals would be paid approximately \$1,000 per month for a six-month period. The budget proposal states that upon completion of this training, successful participants will either work for the 10 nonprofit nurseries or for other private or public nurseries.

Existing Forest Improvement Program. The budget requests \$6,797,259 from the Forest Resources Improvement Fund for reforestation, urban forestry and wood energy projects during 1981-82. This amount includes (1) \$790,473 for support of 32 positions to continue administration of the Forest Improvement Program, and (2) an additional \$718,315 to finance new urban forestry projects during the budget year. The balance of the funding is requested for forest improvement projects on private and state lands. The budgeted positions to administer the urban forestry grants and projects include 6 professional positions (one forester II; two forester I's; and three resource management technicians) and three personnel-years for clerical support.

As previously noted, the \$2,209,625 proposed for the urban forestry trainee and nursery program includes funds for the following 17.7 new (and apparently permanent) administrative positions: (1) 11.5 professional positions, (2) 3 clerical positions, and (3) temporary help (1.2 personnel-years). These 17.7 positions would increase the entire staff of the existing Forest Improvement Program by more than 50 percent, to 50.7 positions.

Future ERF Funding Inappropriate. We assume that the 17.7 new positions would be continued at state expense in future years because budget detail does not specifically indicate that they would be limited to 1981-82. The department has not identified how these positions or the 10 new urban tree nurseries would be funded in subsequent fiscal years. It would appear, however, that the ERF funding source proposed for 1981-82 could not be used in the future.

Chapter 899, Statutes of 1980 (AB 2973), provides that expenditures from the Energy and Resources Fund (ERF) are to be used only for short-term projects and not for ongoing programs.

Recommended Legislative Action. The proposed program is not well-defined. Some of the problems are: (1) uncertainty of future financial support for the 10 inner-city nurseries, (2) the unknown employment conditions of the 150 trainees, (3) a lack of justification for the 17.7 new administrative positions, and (4) the local participation is not specified. The proposed \$1,000 per month salary for the 150 trainees also appears to be high, especially when compared to the \$582 per month salary of California Conservation Corps members. Consequently, we recommend that the budget request be denied and the \$2,209,625 be deleted. As an alternative, the department may wish to allocate some portion of the \$718,315 from the Forest Resources Improvement Fund which is available to it under existing law for new urban forestry projects during 1981-82.

ADMINISTRATION

Administration provides executive management, policy direction, fiscal and personnel services, public information, training and safety programs within the department. The Administration program has 276 authorized positions and is budgeted for \$9,799,676 in 1981-82.

Affirmative Action Program Established in Current Year

We recommend the department report to the Legislature at the time of budget hearing on how it intends to comply with the State Personnel Board's directive to improve its Affirmative Action Program without jeopardizing other legislative priorities.

Last year the State Personnel Board directed the Department of Forestry (CDF) to improve its affirmative action program. On April 30, 1980, the board mandated, among other things, greatly increased hiring goals for minorities, women and the disabled; increased recruitment of minorities; increased departmental participation in the examination process; and the establishment and maintenance of a comprehensive and detailed affirmative action monitoring and reporting system.

Section 28 Request. In response to the board's directive, the department last summer requested approval from the Department of Finance to administratively establish 11 positions to comply with the board's order. These included five affirmative action regional coordinators (one for each of the five regional headquarters offices); and four professional and two clerical support positions in Sacramento headquarters. In a letter dated July 11, 1980, the Director of Finance requested the Chairman of the Joint Legislative Budget Committee to grant a waiver of the 30-day waiting period established by Section 28 of the Budget Act, so that the department could immediately reallocate \$412,151 provided by the Legislature for other department activities to fund the 11 positions. The money was to be reallocated in the following manner:

- Two forest fire lookouts would be closed, and staffing at four other lookouts would be significantly reduced.
- The Forest Improvement fund would be assessed \$107,000 as an overhead charge to pay administrative costs for the Forest Improvement Program.
- Savings of \$97,000 from reduced contract payments to Marin County for fire protection would be redirected to help finance the 11 positions instead of being reverted to the General Fund. The savings were made possible by recent federal land acquisitions at Point Reyes.
- Five existing forestry trainee positions (one at each of the regional headquarters offices) would be redirected to the affirmative action program to fill the five regional affirmative action positions.

While the Joint Legislative Budget Committee was considering the request for a waiver of the 30-day waiting period, the Director of Finance withdrew her request on July 31, 1980, and directed the department to adhere to the staffing plan on which the 1980 Budget Act was based.

Proposal Implemented. It is our understanding that the department nevertheless filled six positions (four professional and two clerical) for the headquarters affirmative action office, using money appropriated for temporary help. These six temporary staff were subsequently moved to new or existing positions that were vacant. In addition, the department proceeded to assess the Forest Resources Improvement Fund a \$113,000 administrative overhead charge, and utilized part of the \$97,000 in savings from the Marin County fire protection contract. The department also closed fire lookouts as proposed in the Section 28 letter that was later withdrawn. In fact, the only portion of the department's affirmative action program proposal that was *not* implemented was the redirection of one forestry trainee position at each of the five regional offices.

No budget change proposal detailing the changes made in the approved 1980-81 budget has been submitted as part of the 1981-82 budget. The budget does state, however, that the department will redirect four existing administrative positions *in 1981-82* to (1) provide staff for the affirmative action program to meet workload needs, and (2) develop and implement more effective programs to increase

DEPARTMENT OF FORESTRY—Continued

the representation of minorities, women and the disabled in its work force.

Budget Hearing Report. We believe that it is important for the department to comply with the State Personnel Board's order and improve its affirmative action record. For this reason, we recommend that the department report to the fiscal subcommittees, at the time of budget hearings, on how it intends to take corrective action in this regard, so that the Legislature can ensure that CDF's plans are adequate, and that other legislative priorities are not jeopardized. The Department of Finance should also be prepared to discuss how CDF was authorized to (1) reduce staffing at fire lookouts during the 1980 fire season, (2) redirect budgeted funds and increase reimbursements, and (3) administratively establish affirmative action positions in the Sacramento headquarter offices, when the Section 28 budget letter seeking such authority was withdrawn by the Director of Finance.

Orange County Administrative Overhead Report

During 1980 the department terminated its local fire protection contract with Orange County. This resulted in a significant reduction in reimbursements received from the county, including: (1) \$11,696,538 for direct costs, and (2) \$941,571 in overhead charges for administrative costs associated with the fire protection agreement. The \$11.6 million in reimbursements supported 447 fire fighting positions and 20 field administrative positions. The \$941,571 in overhead charges reimbursed the department for its indirect costs, including administration, personnel, payroll and accounting workload in connection with the 467 contract positions.

Fiscal Impact of Contract Termination. When the contract was terminated, most of the contract fire fighters and some field administrators transferred from state to county service in the new fire department organized by Orange County to take over the fire suppression activities from Forestry. Those employees who remained in state service were transferred from Orange County to other Department of Forestry assignments. The department's budget for 1981-82 attempted to minimize the impact on the department of losing \$941,571 in reimbursements for administrative costs by (1) eliminating three support positions for a savings of \$89,127; (2) requesting a \$303,443 increase in CDF's General Fund support appropriation for 1980-81 to support the activities previously supported with reimbursements, and (3) redirecting \$468,951 in General Fund savings resulting from the department's withdrawal from Orange County and transfer of fire protection for certain state responsibility wildlands to local government.

Legislative Action and Direction. In the *Analysis of the 1980 Budget Bill*, we recommended the deletion of the \$852,444 because cancellation of the contract should have resulted in commensurate reductions in administration, personnel management, payroll and accounting workload. Subsequently, the Legislature took the following actions:

- Deleted \$213,000, or approximately 25 percent, of the amount requested to replace the lost reimbursements.
- Added Budget Bill language requiring that Forestry reduce departmental administration rather than fire suppression activities due to removal of the \$213,000.
- Directed the department, through the Supplemental Report to the 1980 Budget Act, to submit to the Legislature by December 1, 1980, "a complete and detailed explanation of the funds expended to support administrative overhead costs which were previously financed from the . . . contract with Orange County."
- Directed the Legislative Analyst to include a review of the department's explanation in the *Analysis of the 1981 Budget Bill*.

Departmental Response. The department's report was submitted to this office on January 15, 1981—shortly before this *Analysis* was prepared. In its report, the department states that:

1. The termination of the Orange County contract and the consequent reduction in direct program costs associated with 467 positions "did not proportionately diminish the department's need for administrative structure which is applicable to all program operations." Forestry states that all of its departmentwide support functions (i.e., Executive Office, Planning, Legal Affairs, Management Services, Engineering Services, Mobile Equipment Management, and Material Management) must be continued at approximately the same level, regardless of whether the contract with Orange County exists or not.

2. The termination of the Orange County contract did not reduce the management and technical support services needed in southern California from the department's Riverside regional headquarters (Region VI) because the Riverside office also provides general support to the remainder of the region outside of Orange County. The department states that, even though one element of its southern California operations has been reduced, it does not follow that a discreet portion of the Riverside positions can be eliminated.

3. Forestry's policy has been to charge the county *directly* for those administrative activities that could be directly attributed to the contract. Thus, Orange County directly financed eight administrative positions which could have been budgeted as state positions but were not. According to CDF, all the remaining administrative positions in its regional headquarters and Sacramento offices are necessary to maintain essential management services for the remainder of the department's statewide operations.

Our preliminary reaction to the department's report is that it reiterates most of the statements made before the fiscal subcommittees during budget hearings last year. The report fails to address the fact that termination of the Orange County contract (1) decreased total authorized positions within the department by more than 10 percent, and (2) significantly reduced the number of field positions in southern California which are administered by the Riverside regional headquarters staff. Apparently, the department is unwilling to voluntarily decrease its administrative staff in either Sacramento or Riverside to reflect reductions in personnel, accounting and payroll workload associated with the contract positions.

Impact of Budget Reduction Minimal. It is not clear that CDF has reduced departmental administration, rather than fire suppression activities, in absorbing the \$213,000 budget reduction made by the Legislature. The department has taken other actions during 1980-81 which have also minimized the impact of the loss:

- Following enactment of the 1980 Budget Act, the department unilaterally increased its 1980-81 administrative overhead rate on all contracts for services provided by CDF to federal and state agencies and local government, from 8.61 percent to 9.36 percent. The increase to 9.36 percent has resulted in additional reimbursements of approximately \$183,809 from existing contracts.
- The department also changed the Forest Resources Improvement Fund \$113,000 for indirect administrative costs associated with support of the California Forest Improvement Program. This reduced funds available for reforestation work and urban forestry projects during the current and future years, and increases the amount of money available for support of departmental administration.
- Prior to the start of the current year, the department renegotiated its contract with Marin County for protection of state responsibility lands. Although this resulted in savings of \$97,000 in the cost of state-financed fire protection, the money was not reverted to the General Fund. Consequently, the savings have been available for redirection to other department activities.

DEPARTMENT OF FORESTRY—Continued

In combination, these factors made available \$393,809—an amount that is more than adequate to offset the loss of the \$213,000 deleted by the Legislature. In our judgment, Forestry's actions have (1) obviated the need for the department to reduce its expenditures for support of administration, as the Legislature intended it to do, and (2) reduced the amount available to the General Fund by allocating the additional \$393,809 to other specified purposes.

DEPARTMENT OF FORESTRY—CAPITAL OUTLAY

Item 354-301 from the General
Fund, Special Account for
Capital Outlay

Budget p. R 69

Requested 1981-82	\$1,902,690
Recommended approval	10,000
Recommended reduction	1,892,690

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

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1. *Minor Capital Outlay. Reduce by \$502,735.* Recommend deletion of request for minor capital outlay funds. 534
2. *Land Acquisition.* Recommend addition of Budget Bill language to allow the department to obtain purchase options. 534
3. *Oak Glen Conservation Camp. Reduce by \$1,389,955.* Recommend deletion of request for construction funds. 535

ANALYSIS AND RECOMMENDATIONS

The budget proposes the appropriation of \$1,902,690 from the General Fund, Special Account for Capital Outlay for various capital outlay projects proposed by the Department of Forestry. This amount consists of \$1,389,955 for construction of an 80-person barracks at the Oak Glen Conservation Camp, \$502,735 for various minor capital outlay projects, and \$10,000 for opportunity purchases of land sites.

Minor Capital Outlay

We recommend Item 354-301-036(a) be deleted, for a savings of \$502,735.

The budget proposes \$502,735 for minor capital outlay (\$100,000 or less per project) for the Department of Forestry. The department originally submitted requests for 45 projects totaling \$1,259,670, for inclusion in the Governor's Budget. The Department of Finance, however, reduced this amount to \$502,735. Neither the Department of Forestry nor the Department of Finance has been able to identify which of the submitted projects comprise the requested \$502,735 amount. Lacking an identification of the specific projects to be undertaken, we are not able to recommend approval of the request, and recommend that the funds be deleted.

Land Acquisition—Opportunity Purchases

We recommend approval. We also recommend that the department use this money to secure purchase options for sites for proposed new forest fire stations.

The budget includes \$10,000 in Item 354-301-036(b) for the acquisition of land proposed in the Department of Forestry's capital outlay program. The proposed land acquisition must be approved by the State Public Works Board.

Our analysis indicates that these funds are needed to allow the department to

proceed with needed acquisitions as property becomes available. We recommend, however, that the department also use this money to secure purchase options on sites that will be proposed for acquisition in future budgets. Frequently, sites needed by the department have been sold to private parties before the department could acquire them, thus increasing acquisition costs to the state. The availability of funds to obtain purchase options on parcels would allow the department to identify viable sites and obtain purchase options after introduction of the Governor's Budget and prior to legislative hearings. This would expedite the acquisition process and also provide the Legislature with better cost information. The amount of funds in the proposed appropriation should be adequate for both opportunity purchases and purchase options. Accordingly, we recommend approval of the requested funds. We further recommend that budget language be modified as follows to allow the funds to be used for securing purchase options:

"(b) Opportunity purchases/purchase options....\$10,000 provided that the funds appropriated by Item 354-301-036(b) may be used for obtaining purchase options only upon approval by the Department of Finance for expenditure for those major capital outlay projects which are anticipated to be included in the 1982-83 Governor's Budget."

Review of State Responsibility Areas

In the Supplemental Report to the 1980 Budget Act, the Legislature directed that the Board of Forestry conduct a comprehensive review of lands receiving direct protection from the Department of Forestry for the purpose of revising state responsibility boundaries to exclude areas which should be the responsibility of local government or federal agencies. The actual review is scheduled for the first half of 1981, with the implementation of changes scheduled for July 1, 1982.

Changes in the Forestry Department's state responsibility areas could have a significant impact on the department's proposed five-year capital outlay plan, and it could have an impact on the optimum location of existing forest fire stations. Our analysis of Item 354, department support, includes further discussion of this review. In this analysis, we also recommend language requiring the department to review its five-year capital outlay plan and the location of its existing forest fire stations, in light of changing state responsibility areas.

Conservation Camp—Oak Glen

We recommend deletion of Item 354-301-036(c) for construction of a new barracks facility at Oak Glen, a reduction of \$1,389,955.

The budget proposes \$1,389,955 for construction of a new barracks facility at Oak Glen Conservation Camp. The 1980 Budget Act appropriated \$110,000 for preliminary plans, working drawings and partial construction. The Public Works Board has released \$29,160 for preliminary plans which were completed in January. Funds for working drawings have yet to be released.

This camp is located approximately 10 miles from Beaumont and is operated jointly by the California Youth Authority and the Department of Forestry. The camp program provides an alternative rehabilitation setting for 80 Youth Authority wards. Wards who meet placement criteria, participate in conservation work projects and fire fighting activities.

The proposed project would provide new barracks to replace the existing facility which is inadequate. The preliminary plans call for construction of an 11,550 gross square foot dormitory-type facility with sleeping/living quarters, offices, dispensary, laundry, toilet, barber shop, canteen, and T.V. rooms. A recreation area is also included. The facility will provide housing for 80 wards. A total project cost of \$1,517,800 is anticipated, with a building cost of \$1,100,000—\$95 per gross square foot (gfs).

DEPARTMENT OF FORESTRY—CAPITAL OUTLAY—Continued

The existing barracks, which currently provide living facilities for 100 wards will be demolished. These barracks have structural problems—wooden members have rotted and the foundation has settled. In sum, the facility has exceeded its useful life.

Nevertheless, we recommend that construction monies be deleted, and that the building be redesigned. Our analysis indicates that it is too costly and contains unneeded space at this time. The estimated construction cost for the building is \$95 per gsf (\$13,750 per bed). This is substantially higher than typical barracks projects, which average about \$65 per gsf. Programmatic requirements of the Youth Authority may account for a portion of the higher-than-normal project costs. Our analysis, however, indicates that part of the excessive cost is due to unnecessary features included in the design, such as skylights, solar water heating, office air conditioning, closed circuit TV monitoring, synthetic marble at toilet areas and indented planting areas.

Our analysis also indicates that the proposed facility contains approximately 2,260 square feet of unnecessary recreation area. State regulation requires that conservation camps contain "indoor space consisting of at least 30 square feet of clear space for each ward, which may be included in a day room, a recreational building, or a multipurpose space (gymnasium)." The conservation camp presently has a gymnasium and a recreation hall of approximately 8,800 and 2,400 square feet, respectively. The 80 wards require approximately 2,400 square feet according to regulation. Therefore, adequate facilities are available, and the inclusion of 2,260 square feet of recreation area in this building is unnecessary.

Accordingly, due to the excessive cost of the project and the excessive space included in the barracks, we recommend that the proposed construction funds be deleted and the project be redesigned to reduce its scope and cost.

Resources Agency**STATE LANDS COMMISSION**

Item 356 from the General
Fund

Budget p. R 71

Requested 1981-82	\$7,157,463
Estimated 1980-81	7,300,826
Actual 1979-80	5,735,986
Requested decrease (excluding amount for salary increases) \$143,363 (-2.0 percent)	
Total recommended reduction	\$4,730

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

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1. Duplication of Long Beach Oil and Gas Supervision. Recommend that commission report at the time of budget hearings on results of negotiations with the City of Long Beach and findings of commission's audit. 541
2. *Marine Terminal Safety Program. Reduce Item 356-001-001 by \$104,730.* Recommend (1) elimination of three positions for marine terminal safety program and (2) legislation be enacted to establish a comprehensive marine terminal safety program with adequate funding. 542

3. *Geothermal Lease Program. Augment Item 356-001-001 by \$100,000.* Recommend reinstatement of reduction to geothermal program made by special adjustment. 543
4. *Point Conception Oil and Gas Development.* Withhold recommendation on special adjustment, pending receipt of additional information. 544
5. *Future Oil and Gas Exploration Costs.* Recommend that the State Lands Commission evaluate and report to the Legislature by November 1, 1981 on its proposed methods for leasing additional offshore lands. 544

GENERAL PROGRAM STATEMENT

The State Lands Commission is composed of the State Controller, the Lieutenant Governor, and the Director of Finance. It is responsible for the management of sovereign and statutory lands which the state has received from the federal government. These lands total more than four million acres and include tide and submerged lands, swamp and overflow lands, the beds of navigable waterways, and vacant school lands. In 1981-82 estimated revenues of the commission will be approximately \$543 million, primarily from oil and gas production on state lands.

The commission has the following major responsibilities:

1. Leasing land under its control for the extraction of oil, gas, geothermal and mineral resources.
2. Exercising economic control over the oil and gas development of the tidelands granted to the City of Long Beach.
3. Determining boundaries and ownership of tide and submerged lands.
4. Overseeing other land management operations, including appraisals, surface leases, and timber operations, and maintaining records concerning state lands.
5. Administering tidelands trusts granted by the Legislature to local governments.

The commission has approximately 250 employees. The commission's headquarters are in Sacramento. Oil, gas and other mineral operations are directed from an office in Long Beach.

ANALYSIS AND RECOMMENDATIONS

The budget proposes an appropriation of \$7,157,463 from the General Fund for support of the State Lands Commission in 1981-82. This is a decrease of \$143,363, or 2.0 percent, below estimated current year expenditures. This amount will increase by the amount of any salary or staff benefit increase approved for the budget year. The appropriation request is \$410,000 less than the \$7,567,463 expenditure program shown in the budget document because of a "special adjustment" reduction in the oil and gas development program.

Total expenditures, including expenditures from federal funds and reimbursements, are proposed at \$10,248,761. This is \$2,445,719, or 19.3 percent, less than estimated current-year expenditures. Of this total, \$2,653,577 will be received as reimbursements from tidelands oil revenue for commission expenses in overseeing oil operations at Long Beach (Item 356-001-001(c)). In addition, the commission's expenditures include \$75,000 in federal funds for wetlands boundary determinations (Item 356-001-890) and \$362,721 in reimbursements for various environmental studies requested by other state agencies (Item 356-001-001(c)).

Table 1 summarizes the proposed budget changes, by fund. Total expenditure levels are declining primarily because of (1) a \$410,000 reduction in energy exploration program expenditures and (2) one-time expenditures for various environ-

STATE LANDS COMMISSION—Continued

mental studies during the current-year. One-time expenditures that are not continued in the budget year include (1) \$175,000 for a Lake Tahoe pier study funded from the Environmental License Plate Fund and (2) \$1,325,000 in reimbursements received from various oil companies for hazard identification and removal in the Santa Barbara Channel. In addition, \$250,000 from the 1980-81 appropriation will revert to the Environmental License Plate Fund. These funds were provided for a study of fugitive dust problems at Owens Dry Lake, but are not needed because Chapter 638, Statutes of 1980, made an appropriation for the same purpose.

Table 1
State Lands Commission
1981-82 Budget Changes

	<i>General Fund</i>	<i>Reim- bursements</i>	<i>Federal Funds</i>	<i>Special Funds</i>	<i>Total</i>
1980-81 Current Year, Revised	\$7,300,826	\$4,883,654	\$75,000	\$435,000	\$12,694,480
1. One-time Projects Not Continued					
a. Lake Tahoe Shore Zone (ELPF) ^a	—	—	—	-175,000	-175,000
b. Owens Dry Lake Study	—	—	—	-250,000	-250,000
c. BLM Lands Study (OHV) ^b ..	—	—	—	-10,000	-10,000
d. Hazard Identification—Santa Barbara (oil companies)	—	-1,325,000	—	—	-1,325,000
e. Environmental Impact Reports—various	—	-110,000	—	—	-110,000
f. Seep Study—Santa Barbara (Coastal Commission)	—	-69,964	—	—	-69,964
g. Boundary Determinations	—	-57,223	—	—	-57,223
h. Intra-state Pipeline Study (Coastal and Energy Commissions)	—	-40,000	—	—	-40,000
i. Oil Well Study (Department of Conservation)	—	-3,000	—	—	-3,000
2. Workload Adjustments					
a. Reforestation	—	-21,938	—	—	-21,938
b. Marine Terminal Program	—	-105,633	—	—	-105,633
c. Energy Exploration Program	-630,000	—	—	—	-630,000
3. Baseline Changes					
a. Energy Exploration BCP	+681,493	—	—	—	+681,493
b. Energy Exploration Program (special adjustment)	-410,000	—	—	—	-410,000
c. Price and Merit Salary Changes	+117,082	-172,703 ^c	—	—	-55,621
d. Long Beach Relocation	+98,062	+38,135 ^c	—	—	+136,197
Total Proposed Changes	(-143,363)	(-1,867,356)	—	(-435,000)	(-2,445,719)
Total 1981-82 Proposed Budget	\$7,157,463	\$3,016,298	\$75,000	—	\$10,248,761

^a Environmental License Plate Fund.

^b Off-Highway Vehicle Fund.

^c Long Beach tideland oil revenues.

Commission Revenues

The commission receives substantial revenue from the development and extraction of oil, gas, geothermal energy and other minerals on state lands, and from land rentals. The bulk of this revenue is from oil and gas production on state tide and submerged lands, primarily along the coast of southern California. The distribution of tidelands oil revenue is governed by Section 6217 of the Public Resources Code. Most of the revenue is allocated to the Capital Outlay Fund for Public Higher Education, the State School Lease-Purchase Fund, the Energy and Resources Fund, and the Special Account for Capital Outlay in the General Fund. Table 2 shows the tidelands oil revenue received in fiscal year 1979-80 and estimates of the revenue which will be received during 1980-81 and 1981-82. The table also includes figures on oil production, and illustrates how the state's revenue is determined.

Table 2
State Lands Commission
Tidelands Oil Revenue^a
(millions of dollars or barrels)

<i>Long Beach Operations (Net Profits)</i>	<i>1979-80</i>	<i>1980-81</i>	<i>1981-82</i>
Oil production from state lands (barrels)	27.1	25.7	24.2
Price per barrel ^b	\$14.71	\$24.54	\$26.77
Gross oil revenue	\$398.6	\$630.7	\$647.8
Gas revenue	6.9	7.8	8.0
Total gross revenue	\$405.5	\$638.5	\$655.8
Expenses, deductions, distributions, local taxes	\$-127.5	\$-182.5	\$-190.9
Windfall Profits Tax	-8.7	-40.6	-12.5
Investment	-8.4	-29.4	-48.4
Net Revenue to State	\$260.9	\$386.0	\$404.0
<i>Statewide Leases (royalty)</i>			
Oil production (barrels)	13.9	14.9	16.3
Average state royalty percentage	22.4%	23.2%	27.7%
Royalty oil production barrels	3.1	3.4	4.5
Price per barrel ^b	\$13.10	\$18.57	\$27.58
Oil revenue to state	\$46.0	\$69.2	\$129.8
Other mineral revenue	0.3	0.3	0.4
Total Oil Revenue	\$307	\$455	\$534
Total oil revenue shown in Governor's Budget	305	450	500

Note: Based on State Lands Commission revenue estimate of December 5, 1980.

^a Revenues subject to distribution under Section 6217 of the Public Resources Code.

^b Weighted average.

The largest portion of the state's tidelands oil revenue comes from oil production on lands granted to the City of Long Beach. The city oversees the day-to-day operations of the consortium of oil companies which produces the oil. The state receives the net profits from the sale of the oil after operating expenses; taxes, investments and distributions to the contractors and the city are deducted. In order to protect the state's substantial financial interest at Long Beach, the commission must approve development and operating plans and budgets.

As Table 2 shows, revenue increases at Long Beach are due entirely to increases in the price of oil; production has actually been declining. Long Beach production

STATE LANDS COMMISSION—Continued

is primarily "heavy" oil (thick and viscous). The President decontrolled the price of heavy oil during 1979–80, which greatly increased the price received for Long Beach oil, and thereby increased the commission's revenues. Future price increases at Long Beach will be linked to increases in the world oil price.

The cost of producing oil has also risen. For example, the annual cost of electricity to pump oil has risen from \$16 million in 1979–80 to an estimated \$21 million in 1981–82, an increase of \$5 million, or 31 percent. The current high demand for oil drilling crews and equipment plus general inflation has also driven up costs. In addition, Los Angeles County has increased the mining rights tax levied against oil operations by \$7 million annually, even though the commission has disputed this reassessment.

As the price of oil has increased, so has the attractiveness of additional investment to maintain production. During the last year, for example, the commission authorized the development contractor to spend \$11 million for two new drilling rigs (to bring the total to 10), \$10 million for 226 new well locations (there are now about 800 wells in the Long Beach Unit), and \$10 million to purchase additional chemicals for caustic flooding to improve oil recovery.

During the three-year period 1975 through 1977, when federal controls kept oil prices low, state oil production at Long Beach dropped by 29 percent (31,000 barrels per day). In contrast, the commission estimates, that the production decline over the period 1979 through 1981 will be only 16 percent (11,000 barrels per day).

Windfall Profits Tax

The federal government levies a tax on the "windfall profits" of oil companies based on the companies' economic interest in the oil. The Internal Revenue Services (IRS) has ruled that the definition of economic interest used for the income tax must also be used for the windfall profits tax. Federal law specifically exempts the state's interest in the oil from the tax. However, in computing their income taxes, the producing companies have been claiming that the oil production expenses which flow through the companies at Long Beach, but which are in fact a reduction of the state's net profit, constitute a portion of their "economic interest" in the oil.

The budget projects that commission revenues will be \$41 million less than the amounts shown in Table 2 for the three years, 1979–80 through 1981–82. This difference is primarily due to a \$46.5 million overstatement of windfall profit tax payments shown in the budget. (The balance of the discrepancy—\$5.5 million—is due to technical differences between the budget figures and the figures in the commission's revenue report.)

The budget figures are based on the companies' past payment of the windfall profits tax, and do not account for the fact that the IRS has recently revised the method of calculating these payments so that the substantial overpayments previously required (and made) are no longer necessary. The state will also receive a \$13 million refund in 1981–82 for overpayments made before the method of calculation was changed. Even with these adjustments, however, the state's revenues over the three-year period will be reduced by an amount equal to the amount of windfall profits tax paid by the oil companies on the state's share of the profits.

New Development at Santa Barbara

In addition to Long Beach, the state has leased tidelands for oil production at Huntington Beach and along the Ventura and Santa Barbara coasts. Only a small portion of the oil produced for these leases is "heavy" oil. Consequently, the price received for it has been increasing gradually with the phased decontrol of oil

prices, which will be completed by October 1981. The commission has authorized some additional drilling on existing leases. This drilling is now resulting in additional oil production and revenue to the state.

The most significant development has been drilling of a new producing zone by ARCO from an existing platform off Santa Barbara. This will produce \$68 million of state revenue in 1981-82. Additional exploratory drilling by ARCO in the same zone could result in two new platforms and substantial additional state revenues. During the last year, the commission has received 15 requests for permission to undertake exploratory drilling on existing leases along the coast of Santa Barbara and Ventura Counties. As we discuss later in this *Analysis*, the commission is also investigating the possibility of new leases off Point Conception.

Geothermal Revenues

In addition to tidelands oil revenues, the commission receives land rentals and revenue from "state school lands," which were granted by the federal government to the state in 1853 to provide financial support for schools. These revenues are not distributed under Section 6217 of the Public Resources Code, but instead go directly into the General Fund. The largest component of these General Fund revenues comes from geothermal leases on former state school lands at The Geysers, where the state retained the mineral rights.

A recent court decision which contested state ownership of the geothermal resources has resulted in the release of \$20.9 million in impounded state revenue from these leases. In addition, the state will now receive almost \$6 million each year from the leases. Additional leasing at The Geysers or the Imperial Valley could further increase the revenues.

Table 3 shows the commission's total revenues from all sources:

Table 3
State Lands Commission
Total Revenue
(In millions)

	1979-80	1980-81	1981-82
Tidelands oil revenue ^a from Table 2	\$307	\$455	\$534
School lands revenue, including geothermal, surface rentals and miscellaneous ^b	1.9	25.5	8.6
Total Revenues	\$309	\$481	\$543

^a Distributed under Section 6217 of the Public Resources Code.

^b General Fund revenue.

Duplication of Long Beach Oil and Gas Supervision

We recommend that the commission report at the time of budget hearings on the results of negotiations with the City of Long Beach to eliminate duplication and to consolidate the supervision of East Wilmington oil and gas operations.

Starting with the 1978 Budget Act, the Legislature has adopted supplemental report language each year directing the commission to conduct negotiations with the City of Long Beach for the purpose of eliminating duplication in the supervision of oil and gas operations. Duplicative responsibilities were assigned each entity under the provisions of Chapter 138, Statutes of 1964, 1st Extraordinary Session.

The city and state will spend a total of \$5.9 million in 1981-82 to supervise oil and gas production and to manage revenues from the sale of the oil and gas production. Of this amount, the city is spending \$3.3 million and the state is spending \$2.6 million. The 1981-82 expenditures are \$300,000 above the estimated

STATE LANDS COMMISSION—Continued

current year expenditures. We believe that some savings can be realized from reducing duplication, and have suggested in past *Analyses* that the city and state share in these savings so that both parties might be encouraged to reduce the amount of duplication. Negotiations have been proceeding, but progress has been slow. A final report is now being reviewed by the commission, but was not available at the time this analysis was written. However, initial findings outlined in the most recent progress report on the negotiations (July 1980) indicate that only minor savings, if any, can be achieved by eliminating duplication.

In a related action, during the current year the commission has entered into a \$200,000 contract for an operational audit of THUMS (a consortium of five oil companies that operates the East Wilmington oil and gas field for Long Beach and the commission) to review their internal accounting procedures and methods of operation. The commission specifically requested the consultant to address the duplication of activities between the city and state as part of the audit. A final report is expected by March 1981.

We recommend that the commission present its findings on duplication of activities and the potential savings to be achieved by eliminating duplication during budget hearings.

Marine Petroleum Transfer Safety Program

We recommend (1) a reduction of three positions and \$104,730 in Item 356-001-001 for the marine terminal safety program, and (2) that legislation be enacted to establish a comprehensive marine terminal safety program.

In the 1978-79 budget the commission proposed the establishment of a marine petroleum transfer safety program at docks and moorings where oil tankers load and unload crude oil or petroleum products. The legislature authorized General Fund support for one of the positions. Subsequently, three more positions were authorized to be supported by a two-year \$300,000 grant from the Coastal Commission using federal Coastal Energy Impact Program (CEIP) funds. The grant became effective in October 1979. As of January 1981, only two of the positions were filled.

In both our 1979 and 1980 *Analysis of the Budget Bill*, we supported the need for the program. At the same time, we recommended against adding funds and positions to the Budget Bill because the commission's program was a fragmented, ad hoc approach to petroleum terminal safety. It gave the appearance of a comprehensive program when in fact it was a limited effort. This is primarily because the commission lacks the necessary authority to adequately regulate and inspect marine terminals because the commission has little, if any, authority and no police power over approximately one-half of the state's terminals on lands granted to local government.

Since then, the commission has made some progress because it has included safety regulations in existing and future lease agreements covering the state lands it administers, and all but one of the leases has been amended accordingly.

Under the terms of the CEIP grant, the commission has been preparing a model terminal operations manual and training program for terminal personnel. Both are expected to be completed in April 1981. The other component of the program involves inspecting terminals and evaluating the procedures used in transferring petroleum between tankers. According to the commission, inspections did not get underway until June 1980, primarily because of a refinery strike. Since that time, approximately 128 inspections have been made.

The federal grant supporting three of the four positions involved in the program terminates at the end of the current year. The budget proposes to eliminate one of three positions and to continue the other two using General Fund money. To

avoid an increase in the General Fund expenditures, however, the Department of Finance has increased budgeted salary savings by approximately \$47,300. Total program costs are estimated at approximately \$104,730 for the budget year.

Our analysis suggests that continuing the program as proposed in 1981-82 without adequate enforcement authority will accomplish little. Accordingly, we recommend that the commission's program be terminated by deleting three positions and \$104,730.

We believe that an effective marine terminal program—one with adequate enforcement authority—is needed. Accordingly, we further recommend that legislation be enacted to establish a strong marine petroleum safety program in California with adequate funding. This legislation should:

1. Establish clear statutory authority, using the police power as needed, for the uniform state regulation of marine petroleum terminals and petroleum transfer operations.
2. Designate a state entity to be responsible for regulating the terminals.
3. Designate the state entity responsible for inspection and enforcement.
4. Authorize a variety of sanctions for violations, including citations, cease and desist orders, civil fines, and criminal penalties.

Energy Exploration Program

Last year the commission received an augmentation of \$630,000 from the General Fund for its energy exploration program. The augmentation was provided to finance the preparation of environmental impact reports (EIRs) and studies preparatory to offering additional geothermal and oil and gas properties for lease in The Geysers and Point Conception areas. The commission had \$210,000 available for this purpose in its 1980-81 base budget. The \$630,000 augmentation will be used to (1) prepare a regional EIR for three geothermal tracts at The Geysers (\$100,000) and (2) prepare a regional EIR covering 40,000 acres of state tide and submerged lands off Point Conception, as well as to conduct survey work on geologic hazards, gather geophysical data, and evaluate cultural resources at Point Conception (\$530,000). The state will be fully reimbursed by the lessee for the costs of preparing the EIRs if the lands are leased.

Because the commission plans to complete the EIRs by the end of 1980-81, an adjustment was made to the 1981-82 base budget by the Department of Finance which removed the \$630,000 but carried forward the \$210,000.

In order to continue the program at approximately the same level, the commission submitted a budget change proposal for 1981-82 in the amount of \$681,493 from the General Fund. The commission proposed \$100,000 to continue the preparation of EIR's at the Geysers, (2) \$496,000 for further environmental surveys of up to 13 exploratory drilling sites in the Point Conception area, and (3) \$85,493 for additional staff (3.0 positions) to monitor and evaluate the contract work.

Subsequently, a "special adjustment" was made to this request by the Department of Finance. The adjustment resulted in a reduction of \$410,000, consisting of \$100,000 for the geothermal program and \$310,000 for the oil and gas leasing program. The revised request, as described in the "A" pages of the Governor's Budget, is for \$271,493 (including the 3 positions). The \$271,493, plus \$210,000 in the commission's base budget, provides a total of \$481,493 for the program in the budget year.

Delay in Geothermal Lease Program

We recommend that Item 356-001-001 be augmented by \$100,000 to restore the geothermal leasing program to its 1980-81 level.

Commission lands at The Geysers are evaluated and leased for drilling and power development by parcels in a sequential or priority order that expands the

STATE LANDS COMMISSION—Continued

area of known resources. Eight parcels are currently leased and under production. In the current year, the commission has \$100,000, as discussed above, to complete the required environmental impact reports (EIRs) on three priority parcels and offer them for lease. The "special adjustment" removed the \$100,000 for the next series of parcels, even though the state will be fully reimbursed for the costs of developing these EIRs by the successful lessee.

The commission estimates that removing the \$100,000 will delay the present leasing schedule and result in deferring approximately 150 megawatts of electrical power generation from the next three priority parcels identified for leasing. To the extent that geothermal leasing is deferred, more oil will be used at the rate of 1.5 million barrels of oil annually. In addition, the annual revenues expected from royalties received on these parcels will also be deferred. The commission estimates this amount to be about \$6.6 million annually, assuming on-line production by 1991-92.

Geothermal is a proven, reliable source of energy that offsets the need for oil importation and produces revenues to the state. Our analysis indicates that a delay in the program would be inconsistent with the legislative policy of attempting to accelerate the geothermal siting processes of the Energy Commission and promoting the development of geothermal resources on state-owned lands. For these reasons, we recommend augmenting Item 365-001-001 by \$100,000 to restore the program to its current level.

Additional Information Needed on Point Conception Development

We withhold recommendation on the funding request for the Point Conception oil and gas development program in Item 365-001-001, pending receipt of more current information.

As discussed above, work on the programmatic EIR and geophysical background data for oil and gas leasing at Point Conception is scheduled for completion in the current year at a General Fund cost of \$530,000. As the next step in its evaluation of the Point Conception lands, the commission requested \$496,000 in 1981-82 to contract for surveys of up to 13 potential well sites to determine the development hazards and geologic configuration of these specific sites. The objective is to locate well sites where exploratory drilling operations could be initiated, beginning in 1982-83.

The "special adjustment" reduced this program by \$310,000. As a result, contract funds for additional environmental studies at Point Conception were reduced from \$496,000 to \$186,000. The commission indicates that this adjustment will reduce the number of site-specific surveys of potential well sites in 1981-82 from 13 to 4, and will delay the oil and gas leasing program by one year.

Our *Analysis* indicates that an augmentation may be warranted to prevent unnecessary delays in the state's offshore leasing program at Point Conception. However, we do not have sufficient information at this time to fully assess the impacts of this reduction on the state's program to lease new lands off Point Conception. The geologic characteristics of the field are currently being investigated to determine the potential for oil and gas development. Until this information is available, the number of site-specific surveys needed in fiscal year 1981-82 will not be known. We therefore defer recommendation on the request for the Point Conception program pending receipt of additional information.

Future Oil and Gas Exploration Costs

We recommend that the State Lands Commission report to the Legislature by November 1, 1981 on its proposed methods for leasing additional offshore lands.

As discussed above, the State Lands Commission has begun a program that will ultimately result in the leasing of 40,000 acres offshore from Point Conception. As

approved by the Legislature last year, the first phase of this program involves the preparation of EIRs. Subsequent phases involve the collection and evaluation of geologic data in order to locate sites for test drilling for petroleum.

Although funding for exploratory drilling is not included in the 1981-82 budget, the budget justification material indicates that the commission may request such funds in 1982-83 in order that it may undertake exploratory drilling. Exploratory drilling is expensive, and carries the risk that no crude will be found. On the other hand, if significant crude is found, the state's lease payments will likely be larger than they would be if the lessee were to do the exploratory drilling. The question is who should bear the risks and thereby receive the resulting benefits when significant crude is found. The amount of funding involved is significant because the commission may propose up to \$78 million for exploratory drilling in 1982-83.

In the past the state has not engaged in exploratory drilling. It has issued permits (not leases) for such drilling to oil companies that were interested in developing the property. If an expensive change in commission leasing policy is to be proposed, the change should be fully evaluated by the commission and reviewed by the Legislature in advance of the appropriation request for exploratory drilling funds.

We therefore recommend that the Legislature approve the following supplemental report language:

"The State Lands Commission shall report to the Legislature by November 1, 1981, on the advantages, disadvantages, costs, and benefits of engaging in exploratory drilling or other pre-leasing strategies for offshore oil and gas development. Any needed changes in law should also be presented."

STATE LANDS COMMISSION—CAPITAL OUTLAY

Item 356 -301 from the Energy
and Resources Fund

Budget p. R 77

Requested 1981-82	\$1,000,000
Recommended reduction	1,000,000

ANALYSIS AND RECOMMENDATIONS

Solar Pond—Owens Dry Lake \$1,000,000

We recommend deletion of \$1,000,000 proposed for the Solar Pond—Owens Dry Lake because the project is not justified and a similar project at Salton Sea is larger and has been the subject of more advanced planning.

The budget requests \$1 million from the Energy and Resources Fund to construct a 300-kilowatt solar salt pond project at Owens Lake for the purpose of generating electric energy. The commission estimates that the total project cost will be approximately \$2 million. The costs may be shared with either the federal Department of Interior, the Department of Water and Power in Los Angeles, or other unspecified participants. Operation is scheduled for the summer of 1982.

The solar salt pond concept has been developed in Israel. It requires a large, shallow body of water consisting of fresh water on top of heavy, salt water. The fresh water serves as an insulation layer. Sunlight heats the heavy salt water almost to the boiling point. The hot salt water is piped to the generating plant where the heat is used to operate an electric generator. The salt water is returned to the pond.

STATE LANDS COMMISSION—CAPITAL OUTLAY—Continued

The commission's request for \$1 million is accompanied by several pages of general material. No evaluation of the technical feasibility of the project has been made, and the proposed cost sharing is not detailed. Moreover, the State Lands Commission is not a power generating agency and has no expertise in this type of project. Nevertheless, the commission apparently will be responsible for the project.

More importantly, the Energy Commission is requesting \$2,250,000 in Item 336-001-188 to participate in a similar but larger 5 megawatt project at the Salton Sea. The Salton Sea solar pond is preferable to the Owens Lake project because:

1. The Salton Sea project is 5 megawatts which is of some commercial significance. The Owens Lake project is only 300 kw which is too small to demonstrate commercial feasibility.

2. The Southern California Edison Company, the Department of Energy, the Energy Commission, and the manufacturer of the special turbine used for solar pond projects are participating in the Salton Sea project. Development of the project is further along and the feasibility study is now being prepared.

3. The Salton Sea is equal to and probably superior to the Owens Dry Lake as a demonstration site. It also has much more capability for expansion to produce significant amounts of power if the process is successful.

4. There is little prospect that the Owens Lake project can be placed in operation by the summer of 1982, as the State Lands Commission proposes.

5. There is no need for duplicate demonstration projects.

For the above reasons, we recommend that the Solar Pond at Owens Dry Lake not be approved.

Resources Agency
SEISMIC SAFETY COMMISSION

Item 358 from the General

Fund	Budget p. R 78
Requested 1981-82	\$346,498
Estimated 1980-81 *	386,649
Actual 1979-80	377,052
Requested decrease (excluding amount for salary increases) \$40,151 (-10.4 percent)	
Total recommended reduction	None

* Does not include \$750,000 one-time appropriation in Chapter 1046, Statutes of 1980.

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

*Analysis
page*

1. Earthquake Safety and Policy Advisory Board. Recommend that, prior to budget hearings, the Seismic Safety Commission report on measures taken to control monies and personnel for the Southern California Earthquake Prediction Planning project.

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GENERAL PROGRAM STATEMENT

The 15-member Seismic Safety Commission was established to provide a consistent policy framework for, as well as a means of conducting, earthquake related programs of government agencies. The commission performs policy studies, reviews programs and conducts hearings on earthquake safety. It advises the Governor and the Legislature on the needs to improve seismic safety programs, and advises various federal agencies on the scope, impact and priorities of national earthquake research and hazard reduction programs. The commission also advises the Division of Mines and Geology relative to the Alquist-Priolo Special Studies Zone Act, and on the installation and maintenance of strong motion instruments throughout the state. Existing law calls for the commission to cease operations in January 1986.

Activities of the commission include (1) conducting an earthquake prediction and hazard study, (2) facilitating earthquake preparedness and recovery in the private sector, (3) developing and implementing earthquake education programs for public schools and communities, and (4) studying the problem of fire following earthquakes.

ANALYSIS AND RECOMMENDATIONS

The budget proposes an appropriation of \$346,498 from the General Fund for support of the commission's activities in 1981-82. The budget document shows that this is \$790,151, or 70 percent, less than current year expenditures. This apparent reduction, however, does not reflect a commensurate reduction in the commission's ongoing programs. Instead, it reflects the inclusion in the 1980-81 expenditure total of \$750,000 appropriated by Chapter 1046 for the development of a prototype program for response to major anticipated and unanticipated earthquakes. Most of this money will be spent in 1981-82 and 1982-83. When adjustments to reflect the anticipated expenditures of these funds are made, General Fund expenditures proposed in 1981-82 are actually \$168,473, or 27.3 percent, above estimated 1980-81 expenditures. This increase is related entirely to the expenditure of funds from Chapter 1046.

No new positions are requested in 1981-82. The budget reflects a \$46,000 reduction in Consultant/Professional Services.

Chapter 1046, Statutes of 1980

Chapter 1046, Statutes of 1980 (AB 2202), requires the commission to initiate, with the assistance and participation of other government agencies (principally federal) a comprehensive program to prepare the state for responding to a major earthquake prediction. The program may be implemented, on a prototype basis, in one area of the state affected by earthquake predictions for the purpose of generating specific tools and products that can be used by governments in responding to an earthquake prediction. The act appropriated \$750,000 to help fund the program during its three-year life. The full amount of the appropriation, however, is shown in the budget as an expenditure in 1980-81. Federal funds of \$800,000 are also anticipated for this program, of which \$231,032 has already been received.

To comply with the act, an Earthquake Safety Policy Advisory Board was established by the commission. It will develop a comprehensive prediction preparedness and response plan for a five-county metropolitan area in southern California. This program will be funded, using the \$750,000 of state funds and the \$800,000 of federal funds previously mentioned.

The commission anticipates opening a southern California office and hiring 15 staff to support the work of the Earthquake Safety Policy Advisory Board during the current year.

SEISMIC SAFETY COMMISSION—Continued

The budget (page R 78) does not accurately reflect commission expenditures anticipated in 1980–81 and 1981–82 for this program. The commission states that it will spend \$462,064 (\$231,032 federal money and \$231,032 General Fund) in 1980–81, and a total of \$879,312 (\$439,656 federal and \$439,656 General Fund) in 1981–82. In 1982–83, the commission expects to spend \$208,624 (\$129,312 federal funds; \$79,312 General Fund).

Earthquake Safety Policy Advisory Board

We recommend that, prior to budget hearings, the Seismic Safety Commission report to the Legislature regarding the measures to be taken to administer the Southern California Earthquake Prediction Planning project.

The commission has established the Earthquake Safety Policy Advisory Board (see previous section) to administer the Southern California Earthquake Prediction Planning project. The board will have 21 members, three of whom will be Seismic Safety Commission members. The board has 6.9 staff in 1980–81, which will increase to 15 in 1981–82, then decrease to 3.75 staff in 1982–83, to conduct the project. The board is developing the program design and objectives to comply with the mandates under Chapter 1046. This information is to be provided to the Legislature early in 1981.

We recommend that, prior to budget hearings, the commission report to the Legislature on its plans for implementing the Earthquake Prediction Planning project and on measures taken to control monies and personnel for the project.

Resources Agency**DEPARTMENT OF FISH AND GAME**

Item 360 from the General
Fund and various special
funds

Budget p. R 80

Requested 1981–82	\$50,080,922
Estimated 1980–81	45,151,822
Actual 1979–80	37,789,706
Requested increase (excluding amount for salary increases) \$4,929,100 (+ 10.9 percent)	
Total recommended reduction	\$1,215,892

1981–82 FUNDING BY ITEM AND SOURCE

Item	Description	Fund	Amount
360-001-001—Nongame Species and Environmental Protection Programs		General	\$4,800,848
360-001-140—Nongame Species and Environmental Protection Programs		Environmental License Plate	2,020,721
360-001-188—Fish and Wildlife Habitat Improve- ment and Research		Energy and Resources	4,745,300
360-001-200—Primary Funding Source		Fish and Game Preservation	37,968,053
360-001-890—Various Programs		Federal Trust	(12,643,539)
360-011-001—Free Licenses		General	546,000
Total			\$50,080,922

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS*Analysis
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|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----|
| 1. Insufficient Surplus to Finance Programs. Recommend that department report on its contingency plans for meeting cash-flow requirements if cash balance in Fish and Game Preservation Fund is less than amount needed. | 556 |
| 2. Utility Costs. Recommend department report at the time of budget hearings on how it intends to finance higher utility costs which are not budgeted for existing facility operations. | 556 |
| 3. <i>Federal Land Habitat Improvement. Reduce Item 360-001-188 by \$1 million.</i> Recommend deletion of funds budgeted for wildlife habitat improvement projects on U.S. Forest Service lands. | 557 |
| 4. <i>Hatchery Operations. Increase Item 360-001-200 by \$159,740.</i> Recommend full restoration of staff positions at Mt. Shasta Fish Hatchery. | 557 |
| 5. Salmon Fishery Enhancement. Withhold recommendation on \$2,997,000 budgeted from the Energy and Resources Fund (ERF) for salmon and steelhead habitat restoration, pending clarification of specific project locations, estimated costs, and work schedule. | 558 |
| 6. <i>Natural Areas Office. Reduce Item 360-001-140 by \$375,632.</i> Recommend funds for Support of Natural Areas Office be deleted from Budget Bill and considered in authorizing legislation. | 559 |
| 7. Instream Flow Analysis Program. Withhold recommendation on \$309,220 budgeted from the Environmental License Plate Fund, pending receipt of additional information from the department concerning specific work projects and activities for 1981-82. | 559 |
| 8. Free Fishing Licenses. Recommend legislation to repeal provisions of existing law authorizing provision of free fishing licenses to certain persons at General Fund expense. | 560 |

GENERAL PROGRAM STATEMENT

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

The State Constitution establishes the Fish and Game Commission, which is composed of five members who are 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 authority from the Legislature pursuant to the Constitution. Although the Legislature has granted authority to the commission to regulate the sport taking of fish and game, it has generally reserved for itself the authority to regulate commercial taking of fish and game.

ANALYSIS AND RECOMMENDATIONS

The budget proposes appropriations of \$50,080,922 from various funds for support of the Department of Fish and Game in 1981-82. This is \$4,929,100, or 10.9 percent, more than estimated current-year expenditures. This amount will increase by the amount of any salary or staff benefit increases approved for the budget year.

The department estimates it will spend \$68,088,626 from all sources for support programs in 1981-82—an increase of \$5,495,454, or 8.8 percent, over estimated current year expenditures from all sources. This amount is financed from the following sources:

1. Fish and Game Preservation Fund (Item 360-001-200) including

DEPARTMENT OF FISH AND GAME—Continued

Item 360-011-001 which transfers \$546,000 from the General Fund	\$37,968,053
2. General Fund (Item 360-001-001)	4,800,848
3. Energy and Resources Fund (Item 360-001-188)	4,745,300
4. California Environmental License Plate Fund (Item 360-001-140)	2,020,721
5. Chapter 1104, Statutes of 1979	125,080
6. Federal Trust Fund	12,643,539
7. Reimbursements	5,785,085
Total	\$68,088,626

Funding Sources

The following funding sources support the programs and activities of the department:

1. **Fish and Game Preservation Fund.** The department is primarily a special fund agency, financed through the Fish and Game Preservation Fund. This fund receives revenues from (1) the sale of hunting and fishing licenses and stamps, and (2) commercial fish taxes and court fines. Article 16, Section 9, of the California Constitution limits expenditure of revenues in the fund to activities relating to fish and game.

In addition to providing the primary source of support for departmental activities, the Fish and Game Preservation Fund contains several special accounts which have separate sources of revenue to support special categories of activities. These are as follows:

a. **Crab Account, Fish and Game Preservation Fund.** Chapter 416, Statutes of 1974, levied an additional privilege tax of \$0.0185 on each pound of crab taken. The revenue is to be used for crab research. Chapter 652, Statutes of 1977, established a ceiling of \$500,000 on this additional tax.

b. **Duck Stamp Account, Fish and Game Preservation Fund.** Chapter 1582, Statutes of 1970, as amended, created this account and requires any person who hunts ducks or geese to purchase a \$5 duck stamp.

c. **Training Account, Fish and Game Preservation Fund.** Chapter 1333, Statutes of 1971, established this account which receives funds through a penalty assessment of \$5 for every \$20 of fines imposed and collected by a court for violation of the Fish and Game Code.

d. **Native Species Conservation and Enhancement Account, Fish and Game Preservation Fund.** This account was established by the Legislature in 1974 to receive donations for the support of nongame species conservation and enhancement programs. Chapter 1181, Statutes of 1977, authorized donations for support of threatened native plants.

2. **General Fund.** This fund finances nongame, plant protection and environmental protection activities. Chapter 855, Statutes of 1978, prohibits its use to support sport hunting and fishing programs generally. In 1978, the Legislature also authorized the transfer of money from the General Fund to the Fish and Game Preservation Fund to offset the loss of revenues resulting from issuing free fishing licenses to eligible persons.

3. **Energy and Resources Fund.** This fund finances one-time habitat improvement and wildlife research projects. Revenue from this fund is derived from the distribution of tideland oil revenues pursuant to Chapter 899, Statutes of 1980.

4. **California Environmental License Plate Fund.** Revenue from this fund is derived from the sale of personalized automobile license plates. Appropriations to the department from the fund are used for programs relating to environmental

protection, game and nongame species preservation work.

5. **Federal funds.** The state-federal cooperative programs are based primarily on five federal acts which provide funding as follows:

- a. Federal Aid in Wildlife Restoration Act (Public Law 75-415), otherwise known as the Pittman-Robertson Act. Excise tax on sporting arms, ammunition, pistols and revolvers—\$5,340,951.
- b. Federal Aid in Fish Restoration Act (Public Law 81-681), known as the Dingell-Johnson Act. Excise tax on sport fishing equipment—\$1,544,262.
- c. Commercial Fisheries Research and Development Act (Public Law 83-309), known as the Bartlett Act—\$386,267.
- d. Anadromous Fisheries Act (Public Law 89-304)—\$660,144.
- e. Federal Endangered Species Act (Public Law 93-205)—\$973,520.
- f. Reimbursements from various federal agencies for miscellaneous projects—\$3,738,395.

Significant Budget Changes

Table 1 summarizes the department's budget, by funding source and program, and indicates the significant changes proposed for 1981-82.

The budget proposes major increases in expenditures for ongoing programs supported from the Fish and Game Preservation Fund and projects financed from the Energy and Resources Fund. These increases include the following:

1. \$2,997,000 to finance salmon and steelhead habitat improvement projects through stream clearance work and replacement of spawning gravels (Energy and Resources Fund).
2. \$1,000,000 for support of wildlife habitat projects on national forestlands in California administered by the U.S. Forest Service (Energy and Resources Fund).
3. \$500,000 to dredge and remove siltation from the Buena Vista Lagoon Ecological Reserve in San Diego County (Energy and Resources Fund).
4. \$610,945 in one-time expenditures to repair levees at the Grizzly Island Wildlife Area and earthquake damage at the Hot Creek Hatchery (Fish and Game Preservation Fund).
5. \$352,263 for new positions at the Mt. Shasta and Darrah Springs Hatchery (\$93,963), and higher utility costs at other fish hatcheries (\$258,300) (Fish and Game Preservation Fund).
6. \$198,678 to continue Klamath-Trinity River salmon restoration work financed in the current and past years from the Environmental License Plate Fund (Fish and Game Preservation Fund).
7. \$150,000 for the first year of a two-year project to finance completion of the Wildlife/Habitat Relationship (WHR) Program through contracts with universities or qualified graduate students (Energy and Resources Fund).
8. \$143,245 for a contract with the Suisun Resource Conservation District to support three one-time projects for the Suisun Marsh (\$98,300—Energy and Resources Fund), and related administrative expenses (\$44,945—General Fund).
9. \$116,690 for purchase of a new single-engine Cessna 182 aircraft (\$101,950), and higher operating costs for air services at the Sacramento Municipal Airport (Fish and Game Preservation Fund).
10. \$112,500 to shift support of existing fishery biologist positions from federal to state funds (Fish and Game Preservation Fund).
11. \$92,208 for support of new salmon catch monitoring positions (\$19,614) and groundfish research activities (\$72,594) in the Marine Resources Program (Fish and Game Preservation Fund).

DEPARTMENT OF FISH AND GAME—Continued

Table 1
Department of Fish and Game
Program Changes by Funding Source

<i>Program and Significant Changes</i>	<i>Estimated 1980-81</i>	<i>Proposed 1981-82</i>	<i>Changes In</i>				<i>Reim- bursements</i>	<i>Changes From 1980-81</i>
			<i>F&GP Fund^a</i>	<i>General Fund</i>	<i>Other funds^b</i>	<i>Federal funds</i>		
1. Enforcement of Laws and Regulations.....	\$18,244,306	\$18,714,841	+\$376,375	+\$68,078	—	+\$14,603	+\$11,479	+\$470,535
a. Purchase of new aircraft and related increase in operating expenses +\$116,680								
b. Augmentation to continue volunteer wardens +\$154,741								
c. Reduction of 1 warden position for nongame, law enforcement work ("Special Adjustment" in General Fund Support) —\$25,977								
2. Wildlife Management.....	12,386,729	13,714,782	—659,155	+44,079	+1,039,943	+879,903	+23,293	+1,328,053
a. Increase in contract funds for habitat improvement projects on federal lands (Energy and Resources Fund) +\$1,900,000								
b. Increase in funds to dredge and remove siltation from the Buena Vista Lagoon Ecological Reserve (ERF) +\$500,000								
c. Increase in contract funds for levee repair at Grizzly Island Wildlife Area +\$298,000								
d. Increase in other contract expenditures for wildlife habitat research and Suisun Marsh Improvement work (ERF) +\$253,000								
e. Reduction of 1 biologist position for nongame work ("Special Adjustment" in General Fund support) —\$24,023								

3. Inland Fisheries	10,852,459	11,658,017	+946,976	+1,086	—	-73,327	-69,177	+805,558
a. Increase in contract funds to repair earthquake damage at Hot Creek Hatchery +\$312,945								
b. Increase in operating expenses to finance new utility costs +\$258,300								
4. Anadromous Fisheries	9,940,626	12,228,433	+268,848	—	+1,847,821	+2,720	+168,418	+2,287,807
a. Increase in contract funds to finance salmon and steelhead habitat improvement projects (ERF) +\$2,997,000								
b. Reduction in salmon and steelhead habitat improvement projects financed from Chapter 1104, Statutes of 1979 (Renewable Resources Investment Fund) -\$894,594								
5. Marine Resources	6,495,259	6,614,818	+128,832	+1,983	—	+53,982	-+65,238	+119,559
6. Environmental Services	4,673,793	5,157,735	+231,293	+5,982	+206,039	+3,721	+36,907	+483,942
a. Increase in expenditures from the Environmental License Plate Fund and Fish and Game Preservation Fund to shift support to ongoing activities from ERF (net change not significant)								
b. Increase in expenditures to expand Instream Flow Program and Natural Areas Office +\$257,822								
7. Administration	(4,073,248)	(4,213,826)	—	—	—	—	—	(+140,695)
8. Free Licenses	(478,000)	(546,000)	—	(+86,000)	—	—	—	(+86,000)
Totals	\$62,593,172	\$68,088,626	+\$1,293,169	+\$121,208	+\$3,093,803	+\$881,602	+\$105,682	+\$5,495,454

^a Fish and Game Preservation Fund (F&GP).

^b Includes Energy and Resources Fund (+\$3,063,199), Environmental License Plate Fund (+\$929,783), Renewable Resources Investment Fund (-\$898,594) and Wildlife Restoration Fund (-\$585).

DEPARTMENT OF FISH AND GAME—Continued

The budget requests an appropriation to the department of \$2,020,721 from the Environmental License Plate Fund (ELPF), which is a \$929,783 increase over estimated current-year expenditures from this funding source. Most of this increase reflects restoration of support for the ongoing Environmental Services Program which was financed last year by a combination of the Fish and Game Preservation Fund (\$235,741) and ELPF (\$1,645,089). An increase of \$137,675 is proposed to expand the activities of the Instream Flow Analysis Team. Other budget changes affecting ELPF expenditures include the expansion of the Significant National Areas Program to finance work which was financed in the current year by the Nature Conservancy.

General Fund expenditures for support of nongame and environmental protection activities are proposed to increase by \$133,208. This reflects: (1) a \$68,000 increase in the amount appropriated from the General Fund to reimburse the Fish and Game Preservation Fund for revenue lost in issuing free fishing licenses, (2) \$44,945 in new expenditures to finance administrative costs by the Suisun Resource Conservation District related to projects supported from the Energy and Resources Fund, (3) \$70,263 in baseline adjustments to cover higher departmental costs for salaries, staff benefits and operating expenses for other ongoing programs and (4) a \$50,000 "special adjustment" which requires the deletion of two positions budgeted for law enforcement work and nongame wildlife research.

Status of Fish and Game Preservation Fund

The following factors will have a significant impact on Fish and Game Preservation Fund revenues in 1981-82:

1. As authorized by Chapter 855, Statutes of 1978, the department is administratively increasing fees for a variety of sport fishing and hunting licenses. Prior to Chapter 855, license fee increases required legislation. Chapter 855, however, permits license fees to be increased in increments of \$0.25 annually, based on an inflation factor determined by the Department of Finance. The fishing license fee increases were effective January 1, 1981. Fee increases for hunting license categories will take effect on July 1, 1981. The old and new license fees are shown in Table 2.

Table 2
Department of Fish and Game
1981 Increases in License Fees

<i>License Category</i>	<i>Previous Fee</i>	<i>New Fee</i>
Resident fishing (annual)	\$5.00	\$5.75
Nonresident fishing (annual)	20.75	22.75
Nonresident fishing (10-day)	8.25	9.00
Pacific Ocean fishing (3-day)	4.00	4.50
Inland Water Stamp	2.00	2.25
Trout and Salmon Stamp	3.00	3.50
Field trials permit	5.00	5.75
Resident hunting (annual)	10.25	11.50
Junior hunting (resident)	2.00	2.25
Nonresident hunting (annual)	36.25	40.00
Special nonresident hunting	5.00	5.75
Resident deer tag (one deer)	3.00	3.50
Nonresident deer tag (one deer)	26.00	28.50
Resident deer tag (two deer)	8.00	9.25
Nonresident deer tag (two deer)	62.25	68.50

The new license fee schedule increases the cost of a typical resident fishing license (including the inland water, trout and salmon stamps) from \$10 to \$11.50. The cost of this license has increased 28 percent since 1979, when it cost \$9. Sale of resident fishing licenses produces more revenue to the Fish and Game Preservation Fund than any other activity.

The new schedule is expected to generate (1) \$1,943,689 in additional revenue during the last half of the current year (January 1, 1981-June 30, 1981), and (2) \$3,830,835 in added revenue during the budget year. These additional revenues will finance a \$1.2 million increase in expenditures from the Fish and Game Preservation Fund during 1981-82, as well as capital outlay projects costing \$2,951,750.

2. Chapter 850, Statutes of 1980, maintains commercial fishing privilege taxes and license fees at the levels established in 1978. Under prior law, these taxes and fees would have declined by about 25 percent, thereby reducing revenues by \$874,000 in the budget year.

3. Chapter 1302, Statutes of 1980, revises eligibility requirements for free sport fishing licenses. This legislation (1) deletes the five-year residency requirement applicable to disabled persons and low-income persons over 62 years of age, and (2) adds two new categories of disabled persons who are entitled to free fishing licenses. The General Fund must reimburse the Fish and Game Preservation Fund for the loss of revenue attributable to the issuance of free licenses. The budget requests \$546,000 for this purpose.

4. The budget proposes to shift support of 42 wildlife biologist positions from the Fish and Game Preservation Fund to federal funds available under the Pittman-Robertson Act. This will reduce expenditures from the Fish and Game Preservation Fund by \$549,255. This reduction, however, will be partially offset by a \$112,500 increase in Fish and Game Preservation Fund expenditures during the budget year for support of five existing fishery biologist positions to offset a corresponding decrease in other federal funds. The net change is a savings of \$436,755 to the Fish and Game Preservation Fund.

Estimated Surplus

On July 1, 1980, the Fish and Game Preservation Fund had an accumulated surplus of \$9,592,788. The budget estimates that the fund will have a surplus of \$6,985,000 on July 1, 1981, and \$3,428,697 on July 1, 1982. These estimates, however, do not make allowances for:

1. **Retroactive salary increases.** Payment of the lump sum salary increase to state employees authorized by the California Supreme Court's affirmation of Chapter 192, Statutes of 1979 has resulted in an increase in current-year expenditures supported from the Fish and Game Preservation Fund. These expenditures are estimated at \$959,000. According to the department, however, they could go as high as \$1.2 million if the cost of the retroactive salary increase for certain employees cannot be recovered from prior-year projects supported from federal funds and reimbursements.

2. **Possible budget year salary increase for state employees.** The cost of the 9.5 percent cost of living increase for departmental employees during the current year was \$2,215,983. Because the Governor has not proposed a specific percentage salary increase for the budget year, the impact of such an increase has not been reflected in the budget's estimate of the Fish and Game Preservation Fund surplus. If a 5 percent budget-year salary increase is provided, the cost would approximate \$1,154,649.

These two adjustments would leave a surplus in the fund of approximately

DEPARTMENT OF FISH AND GAME—Continued

\$1,074,048 at the end of the budget year.

Insufficient Surplus to Finance Programs

We recommend that the department report to the Legislature at the time of budget hearings on its contingency plans to adjust budget-year program and capital outlay expenditures supported from the Fish and Game Preservation Fund in the event the fund's balance is less than the amount required to meet cash-flow requirements.

The department has stated in the past that it needs a working surplus of approximately \$3 million in the Fish and Game Preservation Fund to support ongoing operations and monthly payroll requirements. Without such a reserve, the department might be forced to (1) increase salary savings by not filling vacant positions, (2) reduce operating expenses, (3) defer equipment purchases, or (4) eliminate (or defer) programs and capital outlay projects.

As we have already noted, the department shows a surplus of less than \$3.5 million in the Fish and Game Preservation Fund at the end of the budget year. In addition, the surplus could be only a little more than \$1 million if a 5 percent pay increase is approved for the budget year.

At the time this *Analysis* was prepared, it was not clear how the department intends to finance monthly cash-flow requirements with the prospective small surplus in the Fish and Game Preservation Fund. For this reason, we recommend that the department report on its contingency plan for reducing expenditures at the time of budget hearings.

Unbudgeted Utility Costs

We recommend the department report to the Legislature at the time of budget hearings on how it intends to finance unbudgeted higher utility costs at existing hatcheries, waterfowl areas, laboratories and other facilities.

The budget provides a \$258,300 increase in operating expenses supported from the Fish and Game Preservation Fund to finance new utility costs which have not been previously budgeted. These are as follows:

- \$185,000 to reimburse the City of Los Angeles Department of Water and Power (DWP) for water that DWP previously provided free of charge to the Hot Creek Hatchery.
- \$50,000 in operating costs for new aerator pumps at the Darrah Springs and San Joaquin Hatcheries.
- \$18,300 to cover new pump tax levied on each acre-foot of water pumped at the Fillmore Hatchery.
- \$5,000 for electrical costs associated with the new recirculating pump at the Silverado Fisheries (planting) base.

We have been advised that the department will also experience other significant increases in the cost of electricity and natural gas consumed at existing field facilities, which are not budgeted. Based on a survey of electricity and gas usage at its field facilities, the department has identified cost increases ranging from 27 percent to 698 percent per kilowatt hour, with an average increase of 60 percent. The increase in the cost of natural gas purchased in southern California is expected to be 37 percent.

The department indicates that its utility increases are generally higher than the increases allowed by the Department of Finance's price letter. The department has calculated that it will need \$238,820 more than is budgeted for these expenses in 1981-82. Consequently, the department will have to (1) decrease electrical usage by reducing activities such as hatchery operations, or (2) redirect funds from other line item expenditure categories such as personal services, contracts, equipment or fish food purchases. The budget however, does not address the conse-

quences of such reductions.

Chapter 855, Statutes of 1978, authorizes periodic administrative increases in fees for sport fishing and hunting licenses. The purpose of these periodic adjustments is to provide the Fish and Game Preservation Fund with sufficient revenues to maintain ongoing department programs and activities, despite inflation. It would be contrary to the intent of Chapter 885 for the department to charge higher license fees, while at the same time reducing activities such as hatchery operations. For this reason, we recommend that the department be prepared to discuss with the fiscal subcommittees at the budget hearings, its plan for financing the \$238,820 in higher utility costs. If funds have to be redirected, (1) the department should be prepared to identify for the fiscal subcommittees which expenditures will have to be decreased, and (2) the appropriate adjustments should be made in the budget by the Department of Finance.

Federal Land Habitat Improvement

We recommend a reduction of \$1 million in Item 360-001-188 because the department has not identified specific wildlife habitat improvement projects proposed for national forest lands.

The budget requests \$1 million from the Energy and Resources Fund (ERF) to finance unspecified fish and wildlife improvement work on federal lands in California which are administered by the U.S. Forest Service. The department indicates that the money is needed to offset a reduction in federal funding available to the U.S. Forest Service for such work during the current federal fiscal year.

The U.S. Forest Service currently administers approximately 20 million acres of federal land in California which are located in 17 national forests and the Lake Tahoe Basin Management Unit. The \$1 million from the ERF would be provided to the Forest Service by contract, and distributed to each of the national forests in proportion to the federal funds budgeted for fish and wildlife at each forest.

The department has not provided specific information on the cost, location or nature of individual habitat improvement projects. It is not clear whether the state funds would be utilized for (1) acquisition of land for habitat purposes, or (2) support of Forest Service personnel and administrative costs. It is also uncertain whether the budget proposal establishes a precedent for the Department of Fish and Game to provide additional state funding to the Forest Service in future fiscal years. In the absence of this information, we are unable to confirm that the funds are needed, or that state funding would be appropriate. Accordingly, we recommend that the funds be deleted.

Hatchery Operations Increases

We recommend an increase of \$159,740 in item 360-001-200 to restore six personnel-years of staff at the Mt. Shasta Fish Hatchery.

The budget requests \$93,963 for three new positions at the Darrah Springs Hatchery and one new positions at the Mt. Shasta Fish Hatchery.

Darrah Springs. During fiscal years 1979-80 and 1980-81, the permanent staff at Darrah Springs was reduced from eleven to seven positions. This was done, in part, because of modernization work which temporarily reduced hatchery production. Because this work will be completed during 1981-82, the department proposes to restore three of four positions in order to resume full operation of the hatchery. Only three positions are requested because the modernization work reduced the amount of staff needed to operate the hatchery.

Trout Production Reduced. Two years ago, the permanent staff at the Mt. Shasta Hatchery was also reduced from twelve to five positions as part of an overall effort by the department to reduce the production of catchable trout by two million. The Legislature, however, did not support this proposal, and augmented

DEPARTMENT OF FISH AND GAME—Continued

the 1979 Budget Bill by \$276,000. This amount provided funds for additional fish food and temporary help. The department indicated during hearings on the 1979 Budget Bill that the two million trout could be restored by increasing production at other existing hatchery facilities, without restoring any of the permanent staff it proposed for deletion. The Legislature agreed with this approach.

Budget Year Increase Inadequate. For 1981-82, the budget now proposes to restore one of the seven permanent positions which were deleted at the Mt. Shasta Hatchery two years ago. We agree with the restoration but recommend an additional 6 positions to restore the original staffing level of 12 positions at Mt. Shasta. Budget detail indicates that rearing ponds at the Mt. Shasta facility are not being utilized to their maximum capacity due to lack of staff. In addition, excessive hours of CTO (compensatory time off) are earned by the staff during summertime fish planting. Use of this CTO interferes with daily ongoing hatchery operations. There is also, apparently, no back up at the facility for staff who are absent because of illness or other reasons. These problems indicate that additional staff is required in order to operate the Mt. Shasta Hatchery efficiently.

The rate of trout production has deteriorated at Mt. Shasta. During the last two years, catchable trout production has been eliminated entirely at Mt. Shasta, whereas 268,088 catchable trout were produced in fiscal year 1978-79.

The department now indicates that it has been unable to maintain statewide catchable trout production at the levels agreed to, and budgeted for, by the Legislature in 1979-80 because of the lack of available rearing space at its existing hatcheries. However, this does not appear to be the case at the Mt. Shasta Hatchery where there is production capacity which is not being utilized. We believe the problem here is the lack of adequate staffing.

The department's 1981-82 budget proposes major increases in expenditures for new projects and activities. Prior to budgeting for new projects and activities, the department should first ensure that its existing programs are adequately financed and staffed. Accordingly, we recommend that the remaining six positions eliminated at the Mt. Shasta Hatchery during fiscal 1979-80 be restored. This requires a \$159,740 augmentation in order to finance salaries and operating expenses for these positions.

Salmon Fishery Enhancement

We withhold recommendation on \$2,997,000 requested for support of salmon and steelhead habitat improvement projects, pending receipt of information from the department identifying specific locations, estimated project costs, and a schedule for conducting this work during the budget year.

The budget requests \$2,997,000 from the Energy and Resources Fund for support of new salmon and steelhead habitat improvement projects consisting of stream clearance work and reconstruction of spawning gravels. The funding proposal continues support for the types of work financed during 1979-80 and the current year with funds provided by Chapter 1104, Statutes of 1979. Chapter 1104 appropriated \$1,850,000 from the Renewable Resources Investment Fund to the department for spawning habitat restoration work on the Upper Sacramento, Shasta, Upper Klamath, Yuba and other rivers. Much of this work is being done by the California Conservation Corps (CCC), pursuant to a contract with the Department of Fish and Game.

A portion of the \$2,997,000 requested for the budget year from the Energy and Resources Fund would finance contracts with the CCC (\$976,879) for CCC crews, and with the Department of Water Resources (about \$200,000) for hydrology and engineering work. The balance of the money (\$1,817,000) is budgeted for other unspecified contract services.

At the time this analysis was prepared, the department had provided no information on the location, estimated costs, or habitat improvement projects proposed for funding in the budget year. Consequently, we are unable to determine how much of the money would be utilized for projects on private or federal lands. Without this information, we are unable to determine whether the amount requested is justified. For example, if projects are scheduled for federal lands, it would be reasonable to expect the Bureau of Land Management or the U.S. Forest Service to share in the costs for the work. In addition, if projects are proposed to clear timber slash or log jams from streams on private land harvested under provisions of the Forest Practice Act (administered by the Department of Forestry), it may be appropriate to require the landowners to reimburse the state for the corrective work. No information, however, is available on the extent to which federal or private entities will participate in this program.

We recognize the general benefits of improving spawning habitat for the state's salmon and steelhead fisheries. Without additional information supporting the department's budget request, we cannot evaluate the specific amount budgeted. We therefore defer recommendation on this request, pending receipt of additional information from the department.

Legislation Required for Natural Areas Program

We recommend that funds requested for support of the Natural Areas Program be deleted because the program has not been established by legislation. (Reduce Item 360-001-140 by \$375,632.) We further recommend that funds for this program be considered in connection with legislation establishing the program.

The budget request \$375,632 from the Environmental License Plate Fund to increase staff for the Natural Areas Program from two to nine positions. This represents an increase of \$258,708, or 221 percent, over estimated current-year expenditures for this program.

The seven new positions are requested to develop the California Natural Diversity Data Base, a project financed in the current year by the Nature Conservancy under a cooperative agreement with the department. This contract terminates on June 30, 1981, at which time the entire data management system will be turned over to the department and become part of the Natural Areas Program.

The Natural Areas Program was established with a \$105,000 appropriation from the Environmental License Plate Fund contained in the 1979 Budget Act. When the Legislature provided funds to establish this program, it added supplemental report language directing the Resources Agency to (1) determine (a) the need for the program, (b) the extent of overlap between agencies and (c) how the natural areas functions of other departments can be integrated, and (2) seek enabling legislation to establish a Natural Areas Office in the Department of Fish and Game.

At the time this analysis was prepared, no legislation had been introduced to provide a statutory basis for the Natural Areas Office. Moreover, there is no indication that overlapping activities of constituent departments in the Resources Agency have been eliminated. Given the Legislature's stated intent that this program be established through legislation, and the apparent overlap of its activities with those of other departments, we recommend that this office not be funded in the Budget Bill. Instead, funds for the office should be considered in connection with any legislation to establish the office.

Instream Flow Analysis Program

We withhold recommendation on the proposed expansion of the Instream Flow Analysis Program, pending receipt of additional information from the department concerning specific work projects and activities.

DEPARTMENT OF FISH AND GAME—Continued

The budget requests \$309,110 from the Environmental License Plate Fund for support of five positions added during the current year to determine the instream flow levels needed to protect fish and wildlife at selected California streams and waterways. This information has been requested by the State Water Resources Control Board to protect these resources during water rights proceedings.

The funding requested by the department for 1981–82 reflects an increase of \$137,675, or 80 percent, over estimated current year expenditures. Budget detail indicates that this increase would be utilized to broaden the scope of the department's assessment of stream health factors such as flow volume, water quality, sedimentation and stream bed configuration. According to the department, this program expansion can be accomplished by existing staff.

At the time this analysis was prepared, the department had submitted no information indicating (1) the accomplishments of the program during the current year, or (2) the streams scheduled for evaluation during 1981–82. Also, the budget request fails to identify specifically how the \$137,675 increase will be spent. If new staff are not being added, it is not apparent whether the increase in funds will be used for contract services or other operating expenses.

Last year, we recommended approval of funding to establish the instream flow analysis program. Its work is an outgrowth of recommendations made by the Governor's 1977 Commission to Review California Water Rights Law. Although we believe continued funding for this program has merit, we defer recommendation on the proposed increase, pending receipt of additional information from the department, as well as from the Water Resources Control Board on its use of the information. Once this information is received, we will be able to evaluate whether the requested level of funding is justified.

General Fund Costs for Free Fishing Licenses

We recommend enactment of legislation to repeal existing provisions of Fish and Game Code which (1) authorize the issuance of free hunting and fishing licenses, and (2) require the General Fund to reimburse the Fish and Game Preservation Fund for resulting revenue losses.

Existing law authorizes the department to issue free hunting and fishing licenses to persons in various categories, such as the following:

- Any person receiving aid to the aged, pursuant to specified provisions of the Welfare and Institutions Code.
- California residents over 62 years of age on limited income, as defined.
- Developmentally disabled persons receiving services from a regional center.
- Veterans with 70 percent or greater service-related disability.

The General Fund is required to reimburse the Fish and Game Preservation Fund each year for the loss of revenue attributable to the issuance of free licenses. This annual reimbursement is based on (1) the number of free licenses that the department estimates it will issue during the next fiscal year, and (2) the license fee rates in effect at the time.

The General Fund cost for reimbursing the Fish and Game Preservation Fund for lost license fee revenue has increased very significantly in the two years since this requirement was instituted. For fiscal 1979–80, the cost was \$450,421, and for 1981–82 it is budgeted at \$546,000. This reflects an increase of \$95,579, or 21.2 percent, over two years.

The rapid escalation in General Fund costs for free licenses reflects (1) license fee increases effective in 1979 and 1980 (thereby increasing the dollar value of free licenses), and (2) enactment of legislation during the same time period making additional categories of persons eligible for such licenses. This escalation in General Fund costs will likely continue as long as license fees are indexed to an

inflation factor. Costs will be even greater if additional categories of persons are made eligible for, or apply for free licenses.

The budget for 1981-82 proposes reductions in state programs serving the elderly and the disabled (including reductions in cash grant increases for aged, blind, and disabled persons). Before such changes are made, we believe the Legislature should reconsider the priority of providing free licenses to certain categories of persons. Repealing existing provisions of law that authorize the provision of free licenses would result in General Fund savings of more than \$500,000 per year. These savings could be redirected to minimize or avoid reductions in other state programs serving the aged and disabled.

DEPARTMENT OF FISH AND GAME—CAPITAL OUTLAY

Item 360-301 from the Fish and Game Preservation Fund, the Environmental License Plate Fund and the Energy and Resources Fund

Budget p. R 96

Requested 1981-82	\$10,226,750
Recommended approval	1,101,130
Recommended reduction	1,129,800
Recommendation pending	7,995,820

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

Analysis
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1. *Minor Capital Outlay. Reduce by \$99,000.* Recommend deletion of one project and reduction of funds for another. Further, withhold recommendation on a proposed energy conservation pilot project, pending receipt of additional information. 563
2. *Region 1 Headquarters.* Withhold recommendation, pending receipt of additional cost data. 564
3. *American River Hatchery.* Withhold recommendation, pending receipt of information on how balance of the project will be funded. 565
4. *Region 3 Headquarters. Reduce by \$40,000.* Recommend deletion of project because it is not needed. 565
5. *Mad River Hatchery. Reduce by \$15,800.* Recommend deletion because of design problems with the proposed project. 566
6. *Ecological Reserves. Reduce by \$750,000.* Recommend deletion of appropriation for ecological reserves because adequate funds for this program are already available. 567
7. *Nimbus Hatchery.* Withhold recommendation, pending receipt of preliminary plans 569
8. *Tehama/Colusa Fish Facility. Reduce by \$225,000.* Recommend deletion because sufficient information on project is not available. 569

Capital Outlay Program

The budget proposes the expenditure of \$10,226,750 from various funds for 10 major capital outlay projects, program planning, and various minor capital outlay projects for the Department of Fish and Game in 1981-82. Specifically, \$2,951,750 is requested from the Fish and Game Preservation Fund, \$750,000 is requested from the California Environmental License Plate Fund and \$6,525,000 is requested

DEPARTMENT OF FISH AND GAME—CAPITAL OUTLAY—Continued

from the Energy and Resources Fund. Table 1 shows the proposed 1981–82 capital outlay program.

Table 1
Department of Fish and Game
Capital Outlay Program 1981–82

	<i>Fish & Game Preservation Fund^a</i>	<i>Environmental License Plate Fund</i>	<i>Energy and Resources Fund^a</i>
<i>Item 360-301-200</i>			
(a) Project planning	\$30,000		
(b) Minor capital outlay	601,000		
(c) Regional office—Redding	1,375,820 ^c		
(d) Moccasin Hatchery—ponds	464,130 ^c		
(e) American River Hatchery—ponds	300,000 ^c		
(f) Regional office—Yountville	40,000 ^{pw}		
(g) Irrigation well—Honey Lake	125,000 ^{pc}		
(h) Mad River Hatchery—fish weir and ladder	15,800 ^w		
<i>360-301-140</i>			
(a) Ecological reserve—land acquisition		\$700,000	
(b) Ecological reserve—development		50,000	
<i>360-301-188</i>			
(a) Nimbus Fish Hatchery—expansion			\$6,300,000 ^{wc}
(b) Tehama/Colusa—ponds			225,000
Totals	\$2,951,750	\$750,000	\$6,525,000 ^c

* Phase symbol indicates: p—preliminary plans; w—working drawings; c—construction

Potential Cash Flow Problems in the Fish and Game Preservation Fund

The Budget Bill proposes appropriations of \$40,919,803 from the Fish and Game Preservation Fund. This amount includes \$37,968,503 for support of the Department of Fish and Game and \$2,951,750 for capital outlay.

Our analysis (discussed on page 556) indicates that, if the amounts requested in the budget are provided and a 5 percent pay increase is approved for state employees, the Fish and Game Preservation Fund would have a balance of little more than \$1 million at the end of the budget year. This amount is not adequate to meet the department's monthly cash-flow needs. Under this circumstance the department may be forced to defer capital outlay projects or other department activities funded from this source. In our analysis of the department's support/operations budget, we have recommended that the department report to the Legislature on its contingency plan for reducing expenditures in the event the surplus in the Fish and Game Preservation Fund is not sufficient to meet cash-flow requirements.

A. Fish and Game Preservation Fund**Project Planning***We recommend approval.*

Item 360-301-200 (a) proposes a blanket appropriation \$30,000 from the Fish and Game Preservation Fund for project planning. These funds would be allocated to the Office of State Architect to develop schematic budget plans for 1982–83 capital outlay proposals. Funds for this purpose have traditionally been provided each year for allocation to projects approved by the Department of Finance. The proposed amount would provide plans for projects costing about \$2 million to

construct. The amount is reasonable and consistent with past legislative appropriations for planning, and we recommend approval.

Minor Capital Outlay

We recommend the deletion of one project and a reduction of the amount proposed for another project, for a total reduction of \$99,000 under Item 360-301-200(b). Further, we withhold recommendation on a proposed energy conservation pilot project.

The budget includes an appropriation of \$601,000 from the Fish and Game Preservation Fund for 12 minor capital outlay projects (\$100,000 or less per project). The projects generally consist of minor hatchery facility improvements, energy conservation measures, and improvements at rivers and streams to facilitate the migration of fish to spawning grounds. Table 2 summarizes the requests.

Table 2
Department of Fish and Game
Minor Capital Outlay 1981-82

<i>Project/Location</i>	<i>Budget Amount</i>
Replace filter system, Mt. Whitney Hatchery	\$96,000
Modify ponds and pumps, Crystal Lake Hatchery	66,000
Reconstruct bridge abutments, Mendota Wildlife Area	35,000
Install sunset fish screen, Feather River	95,000
Energy saving modifications, Crystal Lake Hatchery	20,000
Install fishways, Antelope Creek and New Creek.....	6,000
Install fish screen, Battle Creek	8,000
Construct bunkhouse, Los Banos Wildlife Area.....	95,000
Rebuild access road, Fillmore Hatchery	50,000
Construct public restrooms, Mt. Whitney Hatchery	70,000
Residence room additions, Fillmore Hatchery.....	20,000
Residence room additions, Fish Springs	40,000
Total	\$601,000

Construct Bunkhouse, Los Banos Wildlife Area. The budget requests funds to construct a bunkhouse containing 1,320 square feet at the Los Banos Wildlife Area. The bunkhouse will contain six bedrooms, two bathrooms, a kitchen and a sitting room, and will provide housing for up to 12 seasonal employees. Total cost is \$95,000, or \$72 per square foot.

The department currently hires seasonal aids to monitor waterfowl checking stations on the Los Banos complex. Because the current bunkhouse facilities are sufficient to house only two persons, the department must house these aids in facilities owned by the Fish and Wildlife Service in Kesterson, San Luis and Merced National Wildlife Refuges. The department states that 50 percent of the aids it hires would not have accepted employment if housing was not provided due to their inability to pay for lodging in the Los Banos area.

Our analysis indicates that these facilities would be used mainly during the four months of October through January. Furthermore, the cost of this facility is excessive (\$72 per square foot) for a building of this type, and less expensive alternatives are available. Specifically, we recommend that the department investigate the use of relocatable modular trailers to house these aids. Since the workforce in this area is relocated with the change of seasons, use of trailers would avoid the need to construct bunkhouses not only at Los Banos, but at other wildlife areas as well. In summary, we recommend that the funds be deleted on the basis that (1) permanent facilities are not warranted for seasonal use, (2) the proposed cost is excessive, and (3) other less costly alternatives for meeting this need are available.

Rebuild Access Road, Fillmore Hatchery. The existing entrance road to the

DEPARTMENT OF FISH AND GAME—CAPITAL OUTLAY—Continued

Fillmore Hatchery is 10 feet wide, which does not provide enough space for two cars going in opposite directions to pass each other. The road has heavy traffic (300 to 500 visitors each weekend) because the hatchery is close to the town of Fillmore. The department proposes to widen the road to 30 feet and install two culverts for water drainage.

Our analysis indicates that this project is needed. The department, however, has included a 15 percent construction contingency. A 5 percent contingency is normally provided for projects of this type, and this amount should be adequate. We, therefore, recommend a \$4,000 reduction to reduce the contingency to 5 percent.

Energy Saving Repairs, Crystal Lake Hatchery. The budget requests \$20,000 for energy saving repairs at the Crystal Lake Hatchery. Specifically, the six residences at the hatchery will have their walls, ceilings, floors and windows insulated. The department expects to realize savings per residence per month of between \$100–\$120 during the winter—a total yearly savings of approximately \$3,960. This project is a pilot project for the insulation of other hatchery residences.

The department has not evaluated the cost/benefit of the individual components proposed in the projects in order to establish that each component is justified. For example, insulating the ceiling and/or floor may be relatively inexpensive, and yet may account for a majority of the energy savings. Under these circumstances, other components might not be cost-effective. Consequently, we recommend that the department conduct an energy analysis to determine the benefit of each portion of the proposal. Further, the department should identify anticipated future costs and construction scheduled for this program. We withhold recommendation pending receipt of this information.

New Office Building—Redding

We withhold recommendation on Item 360-301-200(c) for construction of a new regional headquarters at Redding.

The budget (Item 360-301-200(c)) proposes an appropriation of \$1,375,820 from the Fish and Game Preservation Fund for construction of a new regional headquarters at Redding. Previous appropriations totaling \$91,200 for planning and working drawings have been made. No addition future costs beyond the requested construction amount are anticipated.

The project includes the construction of an 11,668 gross square foot, single-story building to accommodate 35 employees, and parking for 79 vehicles. The office includes such features as a courtyard, solar hot water heating and carpeting.

The department presently occupies space which is old (a minimum age of 25 years) and inadequate. Present facilities consist of a 2,400 square foot office building (constructed in 1954), two residences of 1,200 and 1,000 square feet, respectively (39 years old), a 1,000 square foot quonset hut, an 880 square foot shed, and a 5,200 square foot metal building used for boat storage. The proposed project anticipates:

- Abandoning the existing office building and also abandoning two houses which were previously converted to office space at the existing Redding site.
- Sale of approximately 2.5 acres of the existing nine-acre site valued at \$650,000.
- Construction of the new headquarters building on the remaining property.

Our analysis indicates that the project is needed, and we agree that it should proceed in the budget year. The amount requested, however, lacks adequate support. Specifically, the cost estimate data based upon the preliminary plans does not support the requested budget amount. For example, two major items, heating and air conditioning (\$109,700) and plumbing (\$38,500), are not based upon preliminary plans. The budget detail provided in support of the request indicates the

amounts for heating and air conditioning are based on "not enough information for take-off." We, therefore, withhold recommendation on this request, pending receipt of additional cost data.

Rearing Ponds—Moccasin Creek Hatchery

We recommend approval of Item 360-301-200(d).

This request is for \$464,130 from the Fish and Game Preservation Fund to construct rearing ponds at the Moccasin Creek Hatchery. Previous funding for this project totals \$21,770 for planning and working drawings. The working drawing funds were released by the Public Works Board in July 1980, and construction should begin early in the budget year. Total project cost is anticipated to be \$485,900.

This project will construct 12, 100-foot raceway ponds in two, 600-foot series. Paved drives and ramps, and electrical improvements will also be included in the project.

This project is needed if trout production is to be maintained at the current level. Existing rearing ponds will be lost due to the expansion of the settling pond, required pursuant to waste discharge requirements for hatchery effluent. Moreover, this project will improve production by 15 percent—100,000 trout per year—in addition to maintaining the current production.

The proposed construction is consistent with the scope and cost approved by the Legislature in the 1980-81 fiscal year. We, therefore, recommend approval.

Nursery Ponds—American River Hatchery

We withhold recommendation on Item 360-301-200(e) for construction of nursing ponds.

The budget proposes an appropriation of \$300,000 for preliminary planning, working drawings, and construction of eight nursery ponds at the American River Hatchery. The project also includes construction of a related water supply pipeline and valves, discharge pipelines, a bird control system, fish feeders, and area lighting.

Total project cost is estimated to be \$578,200. Budget schematics were funded from a planning blanket appropriation (Item 459(g) Chapter 259, Statutes of 1979) and funds for working drawings was appropriated in Item 522(e), Budget Act of 1980. However, the working drawing money has yet to be released by the Public Works Board.

The ponds are needed to provide a proper environment for young trout which are too small to withstand the raceway action of the main pond. The nursery ponds are smaller than rearing ponds and thereby allow for better care of young fish.

The State Architect has estimated that the additional amount needed to complete this project is \$575,670 (assuming \$17,900 of previously appropriated working drawing funds are allowed to revert to the General Fund). The department, however, has only requested an appropriation of \$300,000. Therefore, this project is underfunded by 48 percent and would require an additional appropriation in 1982-83 of \$275,670 if the \$300,000 budget request is approved. Because we do not know what aspects of the project the requested appropriation will fund, we withhold recommendation, pending receipt of additional information on the project.

New Regional Headquarters

We recommend deletion of Item 360-301-200 (f) plans and working drawings, for a new Region III headquarters building, a reduction of \$40,000.

The budget requests an appropriation of \$40,000 for preliminary planning and working drawings related to a new Region III headquarters building. The department intends to construct a facility similar to the one planned for its Region I headquarters—11,668 gross square feet. A budget package has not been prepared

DEPARTMENT OF FISH AND GAME—CAPITAL OUTLAY—Continued

by the State Architect's Office so the specifics of the project are not yet available.

The new regional headquarters would be located on state-owned land in Napa and would cost an estimated \$1,540,000. It would contain adequate space to accommodate 35 employees and serve as a distribution center for other region facilities. The department's current regional headquarters is located in one of the Domiciliary buildings at the Veterans' Home in Yountville. The department has been asked to relinquish this property by July 1, 1981 in anticipation that funds will be provided in the 1981 Budget Act to remodel the domiciliary building for use by the Veterans' Home. This is the prime justification for this project.

In our analysis of Item 197-301-036 (e) (Section C Domiciliary remodeling—Veterans' Home), we recommend that other facilities at the Veterans' Home be remodeled prior to the Region III headquarters building. We also recommend that this building not be remodeled unless sufficient demand for Veterans' Home services to justify usage of the facility materializes in the future.

On this basis, and because the Fish and Game Department is satisfied with its present facilities at the Veterans' Home and is reluctant to move, we recommend that funds for the construction of a new regional headquarters building be deleted.

Irrigation Well

We recommend approval of Item 360-301-200(g) plan and construct irrigation well, Honey Lake Wildlife Area.

This item proposes an appropriation of \$125,000 for a new irrigation well at Honeylake Wildlife Area. No prior appropriations have been made for this project. The department anticipates that if this project is approved, annual pumping costs will increase by \$9,000.

The proposed well will be 500 feet deep, 26 inches in diameter, and gravel packed, with a casing 18 inches in diameter including full-flow perforations. Electric power is available adjacent to the well site.

The well is needed in order to maintain and improve the wetlands habitat that is currently deteriorating due to lack of water. Previously, this area was supplied by irrigation tailwater from neighboring farms. Most of this water, however, has not been available recently because of land development which has resulted in the water being used elsewhere. The well will be located at a site where it can serve several wetlands via gravity flow.

Alternative solutions to this problem are not available and the cost and scope of this project are reasonable. The estimated cost is based on a similar installations constructed by the department. The cost is reasonable and we recommend approval.

Fish Weir

We recommend deletion of Item 360-301-200(h), planning and working drawings, for a new fish weir and modification of a fish ladder, Mad River Hatchery, a reduction of \$15,800.

The budget requests \$15,800 for working drawings related to construction of a new fish weir and modification of the fish ladder at the Mad River Hatchery. The total cost of this project is estimated at \$343,700. Construction funds will be requested in 1982-83.

The proposed weir consists of 24 metal screen barrier panels which will be fabricated and placed on a continuous concrete base in the streambed. The weir will include a hydraulic system which will enable the lowering of the weir to a horizontal position during the flood season thereby allowing stream debris (such as branches and rocks) to pass over and under the weir. During the fish migration season, the hydraulic system will raise the weir, thereby diverting salmon migrating upstream into the fish ladder and into Mad River Hatchery. The location of

the new weir will require extending the fish ladder by approximately 20 feet.

The present weir has high voltage electrodes hung in the river from an overhead cable which generates an electric current in the water. This current diverts the migrating salmon into the fish ladder. However, problems have arisen with the present electric weir. The electric field does not operate efficiently due to debris which comes down the river and obstructs the connection between the electrode and the grounding mat. As a result, more fish bypass the weir than are led into the fish ladder, and the hatchery therefore operates at only one-tenth of its capacity. The new fish weir will enable it to operate at full capacity.

This project would solve the problem of salmon bypassing the fish ladder. The proposed project, however, has design problems and uncertainties which should be resolved before planning and working drawings are appropriated. It is not clear, for example, if the new weir as proposed can withstand the battering action of flood season stream debris. Therefore, the basic survivability of this type of weir is in question. In addition, the hydraulic system would use oil, which the department states is unacceptable because it would pollute the river should the system rupture. The department prefers that either an air or water system be used in order to mitigate the potential pollution problem. These systems would increase the cost by an undetermined amount.

We believe these design problems should be resolved before funds are appropriated for the weir and we, therefore, recommend deletion of the requested amount.

B. Environmental License Plate Fund

Ecological Reserves

We recommend deletion of Items 360-301-140(a) and (b), land acquisition and development of ecological reserves, for a savings of \$750,000.

Budget Items 360-301-140(a) and (b) propose the appropriation of \$700,000 and \$50,000, respectively, from the California Environmental License Plate Fund for land acquisition and development of ecological reserves. The ecological reserve program seeks to preserve California's native wildlands and provide habitats for endangered animal species. Specific acquisition projects are identified by the department, and ranked on a priority basis. Revenues for this program are derived from the sale of personalized license plates.

The department proposes seven land acquisition projects at a cost of \$700,000, and minor development projects (identification signs and vehicle access control) for \$50,000. The department has ranked the proposed acquisition projects in priority order. In the event any site cannot be acquired, the department will attempt to purchase the next site on the priority list. The department's priority list and description of each proposal follows:

1. **Cottonwood Creek Riparian Habitat**—(261.71 acres, Shasta County). The main value of this habitat is its variety of vegetation (including cottonwoods, black walnuts, sycamores, witch grape, and blackberry) which support more species of wildlife than any other vegetation type in California. These habitats have been reduced to a small remnant of what they once were along the state's waterways, and the threat that this habitat will be converted to other uses without state acquisition is increasing.

2. **Tuolumne River Rookery**—(2 acres, Tuolumne County). The primary value of this rookery is its 57 nest sites and its use by great blue herons and great egrets. The understory vegetation has generally been eliminated by livestock grazing, and the area might be mined for gravel without state acquisition.

3. **Hunter Spring Ecological Reserve**—(160 acres, Riverside County). The primary value of this reserve is its spring which is habitat for the desert pupfish. The

DEPARTMENT OF FISH AND GAME—CAPITAL OUTLAY—Continued

pupfish is presently being considered for state and federal listing as an endangered species. The spring is also important to other species of wildlife which are residents and migrant visitors to the area.

4. *Deer Creek Ecological Reserve—(640 acres, Tehama County).* This reserve contains a variety of vegetation (oaks, grass and fields), and the terrain consists of a rugged canyon overlooking Deer Creek with steep cliffs and rocky outcroppings. Its primary value is the occupied nest site for peregrine falcons that was discovered in 1979.

5. *Amargosa River Ecological Reserve—(250 acres, Inyo County).* This reserve contains several small bulrush marshes along the Amargosa River. Its primary value is the presence of the Amargosa Vole which was once believed extinct, and has been recommended for endangered classification because of its limited distribution and its vulnerability to the destruction of its native marsh habitat.

6. *Elkhorn Plains Ecological Reserve—(640 acres, San Luis Obispo County).* This reserve is located in the best remaining Giant Kangaroo Rat habitat in San Luis Obispo County, which is its primary value. The Giant Kangaroo Rat has been proposed for classification as endangered due primarily to the loss of habitat to cultivation and the trampling of colonies by livestock.

7. *Firebaugh Ecological Reserve—(640 acres, Madera County).* This reserve would preserve undeveloped native San Joaquin Valley grassland and alkali-sink areas. Its primary value is its use as a habitat for the blunt-nosed leopard lizard which is endangered due to the loss of habitat to agricultural development.

Table 3 summarizes previously appropriated and proposed funds for this program.

Table 3
Department of Fish and Game
Ecological Reserve Program
Funds Statement 1977-78 to 1981-82

	1977-78	1978-79	1979-80	1980-81	1981-1982
Funds available, prior year appropriation	\$64,256	\$379,218	\$599,723	\$1,165,762	\$722,628
Federal matching money available	—	—	—	556,866 ^c	900,000 ^a
Budget Act appropriation	400,000	425,000	738,000	500,000	750,000
Totals available	\$464,256	\$804,218	\$1,337,723	\$2,222,628	\$2,372,628
Less: expenditures	-45,239	-204,495	-171,961	-1,500,000 ^b	—
Less: reversions (expired appropriations)	-39,799	—	—	—	—
Balance available in subsequent year	\$379,218	\$599,723	\$1,165,762	\$722,625	—

^a The department has applied for \$340,000 of this money. The remaining \$560,000 has reverted to the federal government. However, the department has an understanding with the federal government that this money will be available when it applies for the funds.

^b Estimated 1981-82 expenditures.

^c Actual federal monies received.

Table 3 shows that while annual appropriations have increased over the years, the rate at which these funds have been expended has not increased at an equivalent rate. Furthermore, the amount requested is based on an assumption that 100 percent state funding will be needed to purchase the proposed acquisitions. Since 1977, however, the federal government has participated on a matching basis with the state in the acquisition of these lands. Federal matching money (\$1.6 million) has been contracted for the land acquisition program through the federal Fish and

Wildlife Services' land acquisition and preservation of endangered and threatened fish and wildlife program. Currently, \$900,000 of this matching money is available. These funds, however, do not appear in the budget because they are deposited with a title insurance company.

The unexpended funds, plus the federal money, plus the \$750,000 appropriation proposed for the budget year, would result in a total of \$2,372,628 available for expenditure in 1981-82. It is unlikely that these funds would be spent in the budget year. If expenditures continue at the rate projected for 1980-81 (\$1,500,000), sufficient funds would be available to support this level of expenditure without any Budget Act appropriation, and there would still be an 8 percent surplus at the end of the year. Furthermore, the expenditure level of \$1,500,000 anticipated in the current year is probably optimistic. Actual expenditures in the past have been significantly less than the level estimated.

Based on the rate at which funds are being spent, and the unexpended balance of funds expected to be available in 1981-82, the department does not appear to need the funds requested in the budget year. We, therefore, recommend deletion of the additional \$750,000.

C. Energy and Resources Fund

Hatchery Expansion

We withhold recommendation on Item 360-301-188(a), construction funds for expansion of the Nimbus Fish Hatchery.

The budget requests \$6,300,000 from the Energy and Resources Fund in Item 360-301-188(a) for expansion of the Nimbus Fish Hatchery. The total project cost is anticipated to be \$6,575,000. Funding for planning and working drawings of \$275,000 was allocated by the Director of Finance in 1980-81, pursuant to the provisions of Chapter 1104, Statutes of 1979 (SB 201). Chapter 1104 appropriated \$315,000 to the Department of Fish and Game from the Renewable Resources Investment Fund (which the statute created) for planning and working drawings for the expansion of the Nimbus Hatchery and other projects.

This project would expand the Nimbus Hatchery by adding 96 standard ponds, and constructing a 60 cubic foot per second water supply line from Folsom South Canal. This would increase annual production at the hatchery from its present 3 million salmon smolts and 300,000 yearlings to 20 million salmon smolts and 2 million yearlings. Facilities will also be provided to sort and spawn 15,000 adult salmon.

Preliminary plans and specifications have not been completed by the State Architect, and accordingly we have no basis for determining whether the requested amount is justified. This information should be available prior to budget hearings. Pending receipt of this information, we withhold recommendation on this project.

Tehama/Colusa Rearing Ponds

We recommend deletion of Item 360-301-188(b) construction of Tehama/Colusa rearing ponds, for a savings of \$225,000.

The budget requests \$225,000 from the Energy and Resources Fund (Item 360-301-188(b)) for construction of rearing ponds at the Tehama/Colusa Fish facility. Specifically, six rearing ponds will be constructed and a well will be developed to serve as a supplemental water source.

Funds in the amount of \$25,000 for preliminary plans and working drawings were previously appropriated from the Renewable Resources Investment Fund for this project. The total cost of this project is anticipated to be \$250,000. No future costs have been specified.

DEPARTMENT OF FISH AND GAME—CAPITAL OUTLAY—Continued

The Tehama/Colusa Fish facility does not have rearing facilities for yearling fish. The proposed project will provide space for rearing 200,000 salmon yearlings. The department estimates that this will result in a spawning of 5,000 adult salmon and a commercial catch of 10,000 salmon annually.

A preliminary site plan, outline specification and cost estimate has not yet been scheduled by the State Architect for this project. Accordingly, we do not have sufficient information to support the project scope and cost, and there is no indication that this information will be available prior to budget hearings. The request for construction funds is therefore premature, and we recommend deletion.

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

Item 364 from the Wildlife Restoration Fund

Budget p. R 98

Requested 1981-82	\$393,494
Estimated 1980-81	356,332
Actual 1979-80	187,631
Requested increase (excluding amount for salary increases) \$37,162 (+10.4 percent)	
Total recommended reduction	\$69,400

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

*Analysis
page*

1. *Reimbursement. Reduce Item 364 by \$69,400.* Recommend that federal reimbursements for administrative costs be used for support of the board.

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GENERAL PROGRAM STATEMENT

The Wildlife Conservation Board was created by the Legislature in 1947. It acquires property to protect and preserve wildlife and to provide fishing, hunting and recreational access facilities.

The board is composed of (a) the Director of the Department of Fish and Game, (b) the President of the Fish and Game Commission, and (c) the Director of the Department of Finance. It has a staff of nine. In addition, three members of the Senate and three members of the Assembly serve in an advisory capacity to the board.

As authorized by Section 19632 of the Business and Professions Code, the board's program is funded by a continuing annual appropriation of \$750,000 from horse-race license revenues to the Wildlife Restoration Fund. The board also administers funds from (1) the Nejedly-Hart State, Urban and Coastal Bond Act of 1976, and (2) Budget Act appropriations to the Department of Fish and Game from the Environmental License Plate Fund (personalized license plates) for acquisition and development of ecological reserves.

Part of the cost for certain projects is reimbursed by the federal government, primarily from the Federal Land and Water Conservation Fund. Reimbursements deposited into this fund are continuously appropriated to finance additional acquisition and development projects.

ANALYSIS AND RECOMMENDATIONS

The budget proposes an appropriation of \$393,494 from the Wildlife Restoration Fund to support the Wildlife Conservation Board in 1981-82, which is \$37,162 or 10.4 percent, above the estimated current year expenditure. The increase results from higher costs for merit increases, staff benefits and equipment. This amount will increase to the extent salary or staff benefit increases are approved for the budget year. The budget also includes \$52,434 in State Water Project reimbursements from the Department of Water Resources (DWR) to finance the second year of a two-year acquisition program for the San Jacinto Wildlife Area in southern California. The DWR reimbursements support one additional land agent, plus clerical help.

Reimbursements Understated

We recommend that Item 364 be reduced by \$69,400 to properly budget reimbursements for administrative overhead on projects financed through the Federal Land and Water Conservation Fund.

Each year part of the cost for certain board projects is reimbursed by the federal government, primarily from the Federal Land and Water Conservation Fund (LWCF). Pursuant to Chapter 683, Statutes of 1979, such reimbursements are deposited in the Wildlife Restoration Fund, which is continuously appropriated for board expenditure. For the budget year, the board estimates it will receive \$2 million in reimbursements from the LWCF for capital outlay projects.

In past years the board has also recovered from the federal government reimbursement for certain costs incurred in administering the Land and Water Conservation Fund grants. This permits the Legislature to reduce the amount appropriated from the Wildlife Restoration Fund for support of the board. During 1978-79, the board received \$1,497,363 from LWCF, consisting of (1) \$1,451,271 for eligible project capital costs, and (2) \$46,092 (3.2 percent) for administrative costs. During the past year, the board received a total of \$3,047,918 from this source, including \$96,709, or 3.3 percent for associated administrative costs. No reimbursements for this purpose are budgeted for 1981-82, although the board expects to receive a total of \$2 million from LWCF during fiscal year 1981-82.

The board indicates that an administrative overhead rate of 3.47 percent is being charged against LWCF grants received during the current year. Assuming receipt of \$2 million from LWCF during the budget year, a charge of 3.47 percent would result in reimbursements of \$69,400 for administrative costs. Accordingly, we recommend that the reimbursements in Item 364 be increased by \$69,400, and that the appropriation be reduced by the same amount.

WILDLIFE CONSERVATION BOARD—CAPITAL OUTLAY

Item 364-301 from the Energy
and Resources Fund

Budget p. R 100

Requested 1981-82	\$1,948,000
Recommended approval	46,000
Recommended reduction	1,902,000

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

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|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------|
| 1. <i>Fishing Piers—Sierra Point and Berkeley. Reduce by \$1,340,000.</i>
Recommend deletion of two projects for construction or renovation of two fishing piers. | 572 |
| 2. <i>Fishing Pier—Clay Street. Reduce by \$562,050.</i> Recommend funding for preliminary plans and working drawings only due to inadequate support for construction request. | 573 |

ANALYSIS AND RECOMMENDATIONS

Capital Outlay Program

The budget proposes \$1,948,000 from the Energy and Resources Fund for construction and renovation of three fishing piers. Table 1 details the proposed projects.

Table 1
Wildlife Conservation Board
1981-82 Major Capital Outlay

<i>Item</i>	<i>Project</i>	<i>Amount</i>
364-301-188(a)	Sierra Point Fishing Pier	\$590,000
364-301-188(b)	Clay Street Fishing Pier	608,000
364-301-188(c)	Berkeley Fishing Pier	750,000
Total		\$1,948,000

New Fishing Piers

We recommend Item 364-301-188(a) and (c) for construction and renovation of two fishing piers, be deleted, a savings of \$1,340,000.

Sierra Point. Item 364-301-188(a) proposes \$590,000 for construction of a public fishing pier at the Sierra Point Peninsula. The project will be undertaken in conjunction with the City of Brisanes' construction of the Sierra Point marina project. Sierra Point Peninsula is a land-fill on South San Francisco Bay. The marina facilities serve approximately 1.5 million people. The pier will be open to the public free of charge and the city will, pursuant to a long-term agreement with the state, assume responsibility for operating and maintaining the facility.

Another public fishing pier facility is proposed at Oyster Point in the City of South San Francisco, a mile south of Sierra Point. Currently, the only major public fishing facility in northern San Mateo County is located at the City of Pacifica—20 miles west of Sierra Point. This pier is situated on the Pacific Ocean.

The structural dimensions of the pier have not yet been determined. Engineering studies of the optimum location, alignment, height and width are still being conducted. Accordingly, detailed plans, outline specifications and cost estimates have not been prepared. In the absence of these supporting documents, adequate

information and justification regarding project scope and cost is not available. Consequently, this proposal is premature and on this basis we recommend deletion of Item 364-301-188(a).

Berkeley. Item 364-301-188(c), proposes the appropriation of \$750,000 for the renovation of the Berkeley fishing pier. The Wildlife Conservation Board (WCB) proposes to replace worn-out structural components and make additions to the pier to expand its capacity.

The WCB states that improvement and upgrading of existing facilities are needed to meet Public Health and Safety Code requirements. In addition, an artificial habitat will be placed under and around the pier to maximize fishing success.

Engineering studies and a cost breakdown have not been done. Furthermore, the work to be accomplished has not been stated in the project proposal. Accordingly, adequate support and justification for the project is not available at this time, and we recommend deletion of the \$750,000.

Clay Street Fishing Pier

We recommend Item 364-301-188(b) be reduced \$562,050 to provide preliminary plans and working drawings for a new fishing pier at Oakland.

Item 364-301-188(b) requests \$608,000 for the renovation of the Clay Street Pier at Jack London Square on the Oakland estuary. This pier will be converted to a multipurpose facility open to the public for a variety of recreational uses such as fishing, boating, leisure time reading, etc. The pier will serve the East San Francisco Bay urban population.

The proposal calls for the demolition of an existing 22,000 square foot transit shed on the pier (at city cost), and removal of deteriorated piles along the perimeter of the pier. The remaining deck surface will be renovated, a handrail will be installed, and the end of the pier will be reconstructed. Other features of the project are a public restroom, area lighting, benches, a fish cleaning sink, bike racks, trash receptacles, drinking fountains, dredging at the piers edge and possible placement of artificial reef material to improve fish habitat. Sewer, water and electrical utilities will also be included. Total cost, including administrative and engineering costs, is estimated to be \$608,000.

A project proposal and cost estimate has been provided on this project. Our analysis indicates that a need for this project does exist, and its construction by the Wildlife Conservation Board would be consistent with legislative intent in establishing the board. However, the cost estimate justifying the requested appropriation of \$608,000 is inadequate. The estimate is not based upon the Clay Street Pier, but is based upon similar piers which have been constructed in the area. Furthermore, it contains lump-sum amounts which are not based on adequate detail. Therefore, the request for construction funds has inadequate support. We, therefore, recommend a reduction of \$562,000. The remaining \$46,000 should provide adequate funds to develop preliminary plans and working drawings.

Resources Agency
DEPARTMENT OF BOATING AND WATERWAYS

Item 368 from the General
 Fund and special funds

Budget p. R 102

Requested 1981-82	\$22,441,581
Estimated 1980-81	20,117,003
Actual 1979-80	11,865,866
Requested increase (excluding amount for salary increases) \$2,324,578 (+11.5 percent)	
Total recommended reduction	\$2,235,000

1981-82 FUNDING BY ITEM AND SOURCE

Item	Description	Fund	Amount
368-001-001—Support		General	\$268,581
368-001-516—Support		Harbors and Watercraft Re- volving	2,555,035
368-001-188—Support, Beach Erosion Boating Projects		Energy and Resources	50,000
368-101-516—Local Assistance		Harbors and Watercraft Re- volving	16,732,965
368-101-188—Local Assistance Beach Erosion Control		Energy and Resources	2,835,000
Total			<hr/> \$22,441,581

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

*Analysis
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1. *Beach Erosion. Reduce Item 368-101-188 by \$2,235,000* to delete the Alameda Beach and White Point beach erosion control projects, and add Budget Bill language prohibiting the encumbrance of funds to construct the Imperial Beach project until all the necessary permits have been received.

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GENERAL PROGRAM STATEMENT

The Department of Boating and Waterways has three major functions. First, its recreational boating program (a) constructs facilities for the state park system and State Water Project reservoirs, (b) makes loans to public and private marina operators to finance the development of small craft marinas and harbors, and (c) makes grants to local agencies for boat launching facilities.

Second, the department makes grants to local agencies for boating safety and for law enforcement, and coordinates education programs of boating organizations.

Third, the department administers the state's yacht and shipbrokers' licensing program to protect the public from fraud.

In addition, the department coordinates the work of other state and local agencies and the U.S. Corps of Engineers in implementing the state's beach erosion control program. As part of this program, the department participates with other agencies in studies of beach erosion and associated shore zone processes.

The department has a seven-member advisory commission.

ANALYSIS AND RECOMMENDATIONS

The budget proposes appropriations of \$22,441,581 from various funds to the Department of Boating and Waterways for support and local assistance in 1981-82. This is an increase of \$2,324,578, or 11.5 percent, over estimated current year expenditures. This amount will increase by the amount of any salary or staff benefit increases approved for the budget year.

Table 1 summarizes the proposed 1981-82 budget changes by fund.

Table 1
Department of Boating and Waterways
Budget Adjustments
1981-82

	<i>General Fund</i>	<i>Harbors and Watercraft Revolving Fund</i>	<i>Energy and Resources Fund</i>	<i>Federal Trust Fund</i>	<i>Reim- bursements</i>	<i>Totals</i>
1980-81 Base Budget (Revised)	\$263,720	\$17,131,269	\$2,300,000	\$422,014	\$15,000	\$20,132,003
A. Workload Adjustments						
1. Public Marina Loan Program	—	1,822,000	—	—	—	1,822,000
2. Grant Program	—	-16,000	—	—	—	-16,000
3. Boating Safety	—	394,803	—	-422,014	—	-27,211
4. Miscellaneous Adjustments (including price increase)	4,861	5,928	—	—	—	10,789
B. Program Changes						
1. Private Marina Loan Program	—	-50,000	—	—	—	-50,000
2. Beach Erosion Projects	—	—	585,000	—	—	585,000
1981-82 Budget Changes	<u>\$4,861</u>	<u>\$2,156,731</u>	<u>\$585,000</u>	<u>-\$422,014</u>	<u>—</u>	<u>\$2,324,578</u>
1981-82 Proposed Budget	<u>\$268,581</u>	<u>\$19,288,000</u>	<u>\$2,885,000</u>	<u>—</u>	<u>\$15,000</u>	<u>\$22,456,581</u>

The major changes shown in Table 1 include (a) an increase in expenditures of \$1,822,000 for the public marina loan program and (b) an increase in state funds for boating safety to offset a reduction in federal funds for that purpose. In both cases, the increases represent reasonable uses of funds available to the department.

Total revenues to be received by the department in 1981-82 are estimated at \$16,804,784, as shown in Table 2.

Table 2
Department of Boating and Waterways
1981-82 Estimated Revenues by Source

Transfer from Motor Vehicle Fuel Account (boaters' gasoline taxes)	\$7,400,000
Interest on loans to local agencies	1,208,814
Repayment of principal on loans to local agencies	925,113
Boat registration fees	4,121,500
Boat launching fees (state park reservoirs)	412,257
Interest from Surplus Money Investment Fund	2,100,000
Yacht brokers' license fees and penalties	87,000
Reimbursement from federal funds	550,000
Miscellaneous	100
Total	<u>\$16,804,784</u>

DEPARTMENT OF BOATING AND WATERWAYS—Continued**Fund Surplus**

The budget shows a June 30, 1982, accumulated surplus of \$296,476 in the Harbors and Watercraft Revolving Fund. Based on past experience, this surplus is substantially understated. For example, the 1980-81 Governor's Budget projected an accumulated surplus of \$50,617 as of June 30, 1981. However, the surplus as of that date is now estimated to be \$5,689,953. The disparity between the projected and the actual surplus has occurred primarily because many marina projects have proceeded more slowly than the budget assumed due to environmental or technical problems. As a consequence, actual expenditures have consistently been well below budgeted expenditures.

DEPARTMENT SUPPORT (Item 368-001-516)

We recommend approval.

For 1981-82, the department requests \$2,555,035 from the Harbors and Watercraft Revolving Fund for support of its boating facilities and boating safety program. This is an increase of \$41,850, or 1.6 percent, over estimated current-year expenditures. The proposed amount appears to be reasonable.

BEACH EROSION CONTROL (Items 368-001-001, 368-001-188, and 368-101-188)

The objective of the Beach Erosion Control Program is to mitigate coastal erosion and develop shoreline protection measures to preserve and enhance the state's beaches and shoreline. The program involves cooperative efforts with federal, state, and local agencies. Major beach erosion projects are constructed by the U.S. Corps of Engineers. The Governor's Budget includes local assistance funding (Item 368-101-188) for projects constructed by the Corps and local agencies.

We recommend approval of Items 368-001-001 and 368-001-188.

Beach Erosion Support. The department's support request of \$268,581 from the General Fund is an increase of \$4,861, or 1.8 percent, over estimated current year expenditures. This amount will finance three positions plus professional and consulting services for several studies pertaining to offshore sand sources, measurement of the coastal wave climate, and the movement of sand by waves and currents.

Shoreline Studies. In addition, the budget proposes to transfer \$50,000 from the Energy and Resources Fund to the Harbors and Watercraft Revolving Fund in 1981-82. The funds would be used to provide grants for unspecified local shoreline studies. The specific beach erosion projects will be selected by the department.

Beach Erosion Projects (Item 368-101-188)

We recommend (a) a reduction of \$2,235,000 in Item 368-101-188 to delete the Alameda Beach project and the Whites Point project, and (b) the adoption of control language covering the Imperial Beach project.

The department requests \$2,835,000 from the Energy and Resources Fund for three beach erosion control projects:

(1) **Alameda Beach project.** The budget proposes \$1,875,000 for the state's share of a local beach replenishment project to be undertaken in conjunction with the East Bay Regional Park District and the City of Alameda. The local share of project costs is \$500,000. The proposal is intended to (a) replenish the eroding manmade beach with sand to be dredged from the San Francisco Bay near Angel Island and (b) construct a sand barrier so that the sand can be replaced on the beach.

A draft environmental impact report on the project is being prepared, as required by the California Environmental Quality Act. A permit from the San Francisco Bay Conservation and Development Commission must also be secured before the project can begin.

The department has not provided adequate information to justify the desirability or feasibility of this project. For example, it is not clear (a) how the sand will be transported from Angel Island and deposited on the beach, (b) how the sand barrier will be designed, and (c) what the basis is for allocating costs between the state and local agencies. In the absence of this information, we cannot confirm the project's merits and must recommend that funding for the project be deleted. If such information becomes available prior to budget hearings, we will provide the fiscal committees with a revised analysis.

(2) **Imperial Beach project.** The budget proposes \$600,000 to cover the state's share of a beach stabilization project in southern San Diego County. This is a traditional U.S. Corps of Engineers beach erosion project, and the proposed state share of project costs is consistent with existing state law. The Corps will provide \$1,620,000 to the project and the City of Imperial Beach will contribute another \$600,000. The project consists of constructing a submerged breakwater parallel to the shore and extending an existing groin.

An environmental impact report on the project has been approved, as required by the California Environmental Quality Act. A project permit, however, has not been granted by the California Coastal Commission. The Coastal Commission claims that a permit is required in order to meet the requirements of the California Coastal Act.

It should also be noted that under the California Coastal Act, a permit from a local agency may be required for a federal project once the commission has certified the local coastal plan (LCP) and delegated its permit authority to the local agency.

Given the above, we recommend adoption of the following Budget Bill language which would prevent encumbrance of the funds until *all* project permits have been received.

"... provided that none of the funds for the Imperial Beach project may be encumbered unless and until all project permits are received."

(3) **Whites Point project.** The budget proposes \$360,000 for a berm stabilization project at a county park located south of San Pedro in the City of Los Angeles. The county's share of the total project cost is \$120,000. The project would (a) extend the existing berm in order to provide more parking and (b) protect the berm with a rock revetment. Some sand fill would also be provided for recreational purposes.

Our analysis indicates that this project will enhance and improve the existing county park, rather than correct a shoreline erosion problem. Therefore, this project cannot be justified for funding as a beach erosion control project.

The County of Los Angeles should consider funding this project with a local assistance grant under Section 5096.151(a) or (2)(a) of the California Parklands Act of 1980 (Proposition 1).

PROGRAMS FROM THE HARBORS AND WATERCRAFT REVOLVING FUND (Item 368-101-516)

Loans for Public Marina and Harbor Development

We recommend approval.

The budget proposes \$11,400,000 in loans (local assistance) to continue funding five marina and harbor development projects which are being undertaken by local agencies. It also proposes \$100,000 for statewide planning. The allocation of these

DEPARTMENT OF BOATING AND WATERWAYS—Continued

funds is shown in Table 4. The construction projects would be funded from the Harbors and Watercraft Revolving Fund. Environmental impact statements for all the projects are completed and approval by the appropriate state agencies has been secured. Our analysis indicates that these projects are justified.

Table 3
Small Craft Harbor Loans
1981-82

<i>Project</i>	<i>Type</i>	<i>Status</i>	<i>Amount</i>
1. Diesel Street Marina, Oakland	construction	final phase	\$1,000,000
2. Downtown Marina, Long Beach	construction	ongoing	3,500,000
3. Unspecified	planning	—	100,000
4. Richmond Marina, Richmond	construction	final phase	1,500,000
5. Spud Point, Bodega Bay	construction	ongoing	1,400,000
6. West Channel, Port of Los Angeles	construction	ongoing	4,000,000
Total			\$11,500,000

Private Marina Loans

We recommend approval.

As a result of Chapter 1062, Statutes of 1979 (AB 1284), the department now provides loans for private recreational marina developments. These loans are made in conjunction with loans guaranteed by the Federal Small Business Administration (SBA). The department's regulations implementing the program set the interest rate on the state loan equal to the rate charged on the guaranteed loan.

To date, the department has issued one loan under this authority—\$125,000 for facility improvements at Owl Harbor in the Sacramento-San Joaquin Delta. The interest rate on the loan is 13.5 percent.

In 1981-82, the department proposes an appropriation of \$1 million from the Harbors and Watercraft Revolving Fund for approximately six unspecified private recreational marina projects. We have no analytical basis for recommending a change in this amount.

Launching Facility Grants

We recommend approval.

The department requests \$1,742,000 from the Harbors and Watercraft Revolving Fund for launching facility grants to local governments in the budget year, as

Table 4
Launching Facility Grants
1981-82

<i>Project</i>	<i>Launching Lanes</i>	<i>Status</i>	<i>Amount</i>
1. Doran Park	1	New	\$280,000
2. Floating restrooms	—	—	100,000
3. Gold Lake	2	New	300,000
4. Lake Nacimiento	Existing	Improvement	250,000
5. Needles	2	New	275,000
6. Ramp repairs	—	—	100,000
7. Redbud Park	Existing	Continuing	150,000
8. Rio Vista Sandy Beach	Existing	Continuing	100,000
9. Ruth Lake	Existing	Improvement	50,000
10. Shasta Lake	Existing	Improvement	45,000
11. Shelter Cove	Existing	Continuing	92,000
Total			\$1,742,000

indicated in Table 5. Grants are proposed for boat launching ramps, restrooms, and parking areas. All the necessary environmental documentation for the projects has been completed.

Grants for Boating Law Enforcement

We recommend approval.

The department requests \$2,390,965 from the Harbors and Watercraft Revolving Fund to provide grants for local boating safety and enforcement programs in 31 jurisdictions where nonresidents use boats extensively. This is an increase of \$309,151, or 14.8 percent, over estimated current-year expenditures.

The grants are calculated on the basis of a formula provided in the Harbors and Navigation Code (Section 663.7). Actual payments are based on expenditure claims filed with the department on a quarterly basis. In the past, funding shortfalls occurred because actual expenditures sometimes exceeded the appropriations in the Budget Act. These shortfalls have been covered with federal funds in the last two fiscal years. However, in the budget year, federal funds will no longer be available for this purpose. Therefore, the 1981-82 budget includes an increase in the appropriation from the Revolving Fund sufficient to assure that all claims can be paid without the federal funds and without creating a deficiency. A second reason for the increase is that one more county has been added to the program. The \$309,151 expenditure increase is financed in part by a recent increase in vessel registration fees made by Chapter 881, Statutes of 1980.

Emergency Repairs

We recommend approval.

For the last two fiscal years, the department has budgeted \$100,000 for emergency repairs to storm-damaged boat launching facilities. In September 1980, the Boating and Waterways Commission approved an emergency loan in the amount of \$100,000 to the Noyo Harbor District for repair of the debris barrier at Noyo Harbor. The 1981-82 Governor's Budget requests \$100,000 for this same general purpose. Based on past experience, this is a reasonable amount.

DEPARTMENT OF BOATING AND WATERWAYS—CAPITAL OUTLAY

Item 368-301 from various funds

Budget p. R 110

Requested 1981-82	\$998,900
Recommended approval	808,900
Recommended change in funding source	190,000
Net recommended approval	\$998,900

ANALYSIS AND RECOMMENDATIONS

The budget proposes three appropriations of \$998,900 from various funds for Department of Boating and Waterways capital outlay projects. The budget proposes the following appropriations:

Item 368-301-188—Energy and Resources Fund	\$190,000
Item 368-301-516—Harbors and Watercraft Revolving Fund	513,500
Item 368-301-742—State Urban and Coastal Park Fund	295,400

DEPARTMENT OF BOATING AND WATERWAYS—CAPITAL OUTLAY—Continued**Energy and Resources Fund (Item 368-301-188)**

(a) <i>Battle Creek, Tehama City</i>	\$95,000
(b) <i>Bidwell Bar State Park</i>	\$95,000

We recommend transfer of \$190,000 in Item 368-301-188 to Item 368-301-516 in order to transfer funding for two boating access projects from the Energy and Resources Fund to the Harbors and Watercraft Revolving Fund.

The Governor's Budget requests \$190,000 from the Energy and Resources Fund (ERF) to finance two minor capital outlay boating projects. The sum of \$95,000 is proposed to construct site improvements for recreational boaters at each of two access points along the Sacramento River. The proposed projects are at Battle Creek (Tehama City, should read Tehama County), and Bidwell Bar State Park (Butte County).

Our analysis indicates that these projects are justified. However, financing from the ERF is not appropriate because sufficient money exists for such purposes in the department's own Harbors and Watercraft Revolving Fund, which was established to fund this type of project. Therefore, we recommend that these projects be funded under Item 368-301-516 from the Harbors and Watercraft Revolving Fund, rather than from the Energy and Resources Fund.

Harbors and Watercraft Revolving Fund (Item 368-301-516)

This item finances planning work and minor capital outlay projects proposed by the Department of Boating and Waterways from the Harbors and Watercraft Revolving Fund.

(a) <i>Project Planning</i>	\$10,000
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We recommend approval.

This request provides the department with funds to plan new boating facilities which will eventually be constructed with funds from the Harbors and Watercraft Revolving Fund.

(b) <i>Minor Capital Outlay</i>	\$503,500
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We recommend approval.

This request provides for minor capital outlay boating access projects at (1) Brannan Island, (2) Folsom Lake, (3) Gianelli Bridge, (4) Kings Beach, (5) McArthur-Burney State Park, (6) Mokelumne River, (7) Salt Point State Park, (8) San Simeon State Park, and (9) Westgate Landing.

The proposed projects meet criteria established for minor capital outlay funding and appear to be reasonable in scope and cost.

(c) <i>Battle Creek, Tehama City</i>	\$95,000
(d) <i>Bidwell Bar State Park</i>	\$95,000

We recommend the transfer of \$190,000 from Item 368-301-188 to Item 368-301-516 to more accurately reflect the appropriate funding source for these projects.

The budget requests \$190,000 in Item 368-301-188 to fund two minor capital outlay boating access projects from the Energy and Resources Fund (ERF). Our analysis indicates that these projects are justified. However, the ERF is not an appropriate funding source because sufficient money is available for such purposes in the Harbors and Watercraft Revolving Fund, which was established to fund this type of project. Therefore, we recommend deletion of Item 368-301-188 and augmentation of Item 368-301-516 by \$190,000.

STATE URBAN AND COASTAL PARK FUND (Item 368-301-742)

This item finances planning work and minor capital outlay projects proposed by the Department of Boating and Waterways from the State, Urban, and Coastal Park Fund.

(a) *Project Planning* \$10,000

We recommend approval.

This request provides the Department of Boating and Waterways with funds to plan new boating facilities, which will eventually be constructed with funds from the State, Urban, and Coastal Park Fund, at reservoirs of the State Water Project.

(b) *Minor Capital Outlay* \$285,400

We recommend approval.

This request provides for minor capital outlay boating projects at (1) Castaic Lake, (2) Lake Oroville, (3) Perris Lake, and (4) Silverwood Lake.

The proposed projects meet criteria established for minor capital outlay funding and appear to be reasonable in scope and cost.

Resources Agency**CALIFORNIA COASTAL COMMISSION**

Item 372 from the General
Fund and special funds

Budget p. R 111

Requested 1981-82	\$6,863,293
Estimated 1980-81	7,019,421
Actual 1979-80	6,131,898
Requested decrease (excluding amount for salary increases) \$156,128 (-2.2 percent)	
Total recommended reduction	\$45,000

1981-82 FUNDING BY ITEM AND SOURCE

Item	Description	Fund	Amount
372-001-001—Support		General	\$5,918,268
372-001-140—Support		California Environmental Li- cense Plate	188,600
372-101-101—Local Assistance		General	756,425
372-001-890—Support		Federal Trust	(2,350,000)
372-101-890—Local Assistance		Federal Trust	(1,800,000)
Total			\$6,863,293

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

*Analysis
page*

1. *Office of Planning and Research Contract. Reduce Item 372-001-001 by \$45,000.* Recommend deletion to eliminate funds for a contract with Office of Planning and Research that is not appropriate.. 583
2. *Technical Adjustment. Transfer \$93,575 from Item 372-001-001 to 372-101-001 (a).* Recommend transfer to correct the budget. 584

CALIFORNIA COASTAL COMMISSION—Continued**GENERAL PROGRAM STATEMENT**

The California Coastal Commission implements the coastal management program as provided in the California Coastal Act of 1976 and subsequent amendments to the act. The act created a 15-member, part-time state commission and, for an interim period, six regional commissions. As a result of Chapter 1076, Statutes of 1978, the regional commissions will terminate on July 1, 1981.

The commission regulates development in the coastal zone. It also assists local government in preparing local coastal programs (LCPs). These plans implement the policies of the California Coastal Act at the local level. All local coastal plans are to be submitted to the regional commissions by January 1, 1981 and certified by the state commission no later than July 1, 1981. Recent projections from the commission indicate that the statutory deadline will not be met. After the commission certifies the LCPs, regulation of most coastal development will be delegated to local governments.

ANALYSIS AND RECOMMENDATIONS

The budget proposes appropriations totaling \$6,863,293 from state funds for support and local assistance programs of the California Coastal Commission, consisting of \$6,674,693 from the General Fund and \$188,600 from the California Environmental License Plate Fund. This is a decrease of \$156,128, or 2.2 percent, below estimated current-year expenditures. The decrease results from terminating the six regional commissions on July 1, 1981, as required by the Coastal Act. The commission's proposed expenditures will increase by the amount of any salary or staff benefit increases which may be approved for the 200 positions authorized in the budget year.

Table 1 shows program expenditures, by funding source. The commission's budget proposes total expenditures, from all sources of \$11,051,993 for support and

Table 1
California Coastal Commission
Sources of Funding
1981-82

<i>Fund</i>	<i>Estimated 1980-81</i>	<i>Proposed 1981-82</i>	<i>Change</i>	
			<i>Amount</i>	<i>Percent</i>
1. General Fund.....	\$6,083,612	\$5,918,268	-\$165,344	-2.4%
A. Local Assistance.....	756,425	756,425	—	—
Subtotals.....	\$6,840,037	\$6,674,693	-\$165,344	-2.4%
2. California Environmental License Plate Fund.....	179,384	188,600	+9,216	+5.1%
3. Federal funds				
A. Coastal Zone Management				
Grant	\$5,134,265	\$1,800,000	-\$3,334,265	-64.9%
1. Local Assistance				
2. Grant for State Operations ..	1,845,000	2,200,000	+355,000	+19.2%
Subtotals.....	\$6,979,265	\$4,000,000	\$2,979,265	-43%
B. Coastal Energy Impact Program				
1. Planning Grants	142,580	—	-142,580	100%
2. Formula Grants.....	2,260,000	150,000	-2,110,000	93.3%
3. Environmental Grants.....	—	—	—	—
Subtotals.....	\$2,402,580	\$150,000	-\$2,252,580	-94%
4. Reimbursements	39,950	38,700	-1,250	3.1%
Total Program Expenditures.....	\$16,441,216	\$11,051,993	-\$5,389,223	-33%

local assistance programs in 1981-82. This is a decrease of \$5,389,223, or 33 percent, below current-year expenditures. The decrease is due to a \$2,979,265 net reduction in federal expenditures for local assistance grants and a \$2,252,580 reduction in receipt of Coastal Energy Impact Program (CEIP) grants.

COASTAL MANAGEMENT IMPLEMENTATION

The major program of the California Coastal Commission is the implementation of the Coastal Act of 1976. Total expenditures of \$10,427,648 from state and federal funds are budgeted for this program in 1981-82 to: (a) assist 67 cities and counties in preparing local coastal plans (LCPs) that must be consistent with state policies contained in the act, (b) regulate development in the coastal zone while the local coastal plans are being prepared, and (c) review plan amendments, hear permit appeals, and monitor LCP implementation after LCPs are certified.

The Coastal Act requires local governments to complete their LCPs by December 30, 1980, and the Coastal Commission to certify these LCPs by July 1, 1981. Because local jurisdictions are authorized to prepare and submit their plans by geographic segments, a total of 106 LCPs must be certified. The commission estimates that 37 LCPs and their implementing ordinances will be certified by the statutory deadline. This represents 35 percent of the total. After certification, regulation of most coastal development will become the responsibility of the local governments.

Local Coastal Program Preparation and Implementation

Completion of the LCP process will constitute most of the state Coastal Commission's workload in 1981-82. Less than half of the LCPs will be certified by the statutory deadline of July 1, 1981, when the six regional commissions terminate. At that time, full responsibility for reviewing and certifying the backlog of land-use plans and implementing ordinances, as well as hearing permit applications, passes directly to the state commission. As a result, the commission anticipates that the LCP-related workload for the state commission and staff will continue over the next two fiscal years (from July 1, 1981 to January 1, 1983), but diminish as LCPs are certified and permit authority reverts to the local governments.

In recognition of this, the commission's budget proposes a reduction to its baseline of \$528,810 (15.8 personnel-years) for 1981-82. This reduction reflects (1) consolidation of the state commission's planning and permit divisions, and elimination of the current duplicating review of LCP documents by both the state and regional offices, (2) redirection of regional staff, as LCPs are completed, to post-certification responsibilities such as processing LCP amendments and local permit appeals, (3) termination of six regional commissions and six executive director positions, (4) closure of one regional office, and (5) creating five district managers to supervise the state commission's field staff that will be completing the LCPs.

This reorganization proposal is based on a recent Coastal Commission study of its future organization (December 1980). Given the continuing workload resulting from the termination of the regional commissions and the slow LCP completion rate, the proposed baseline reduction appears reasonable.

Funding for Contract Not Appropriate

We recommend that Item 372-001-001 be reduced by \$45,000 to eliminate funds for a contract with the Office of Planning and Research that is not appropriate.

In December 1980, the Coastal Commission approved a contract with the Governor's Office of Planning and Research (OPR) to "meet OPR's responsibilities as defined in the Coastal Act and to assist the Governor in evaluating legislative proposals and other issues related to the commission." As a result, OPR's budget

CALIFORNIA COASTAL COMMISSION—Continued

shows reimbursements of \$15,000 in the current year and \$45,000 in the budget year for one position funded by the Coastal Commission from the General Fund.

OPR's responsibilities under the Coastal Act are primarily specified in Section 30415. This section directs OPR to recommend actions which will minimize duplication and conflict among state agencies in carrying out Coastal Act requirements. The other major purpose of the contract is to provide the Governor with an impartial analysis of legislative amendments to the Coastal Act.

OPR currently provides the Governor with independent analyses of legislation covering a variety of planning matters. If OPR needs funding for this purpose and for its statutory responsibility related to coastal matters, as cited above, then OPR should request the money in its own budget. In addition, we note that other line agencies do not fund similar review positions in OPR. We therefore recommend that the contract funds be deleted.

Coastal Access Program*We recommend approval.*

Chapters 840 and 868, Statutes of 1979, gave the Coastal Commission lead agency responsibility for a coastal access program in conjunction with the Coastal Conservancy. The two chapters authorized the commission to (a) inventory existing accessways, (b) plan access facilities authorized for existing permits that contain dedications of land for access, (c) prepare a public access guide for each coastal county, (d) develop standards for locating and developing accessways, and (e) develop innovative management and funding techniques.

The commission received \$173,100 from the Environmental License Plate Fund to implement these provisions during 1980–81. Progress to date includes completion of the coastal access inventory and two joint reports with the Coastal Conservancy on accessway standards and innovative management techniques. In addition, 49 access areas have been accepted for operation by local governments or nonprofit associations. One state agency has agreed to manage accessways to date.

The commission is requesting a second-year appropriation of \$188,600 (4.2 personnel-years) from the Environmental License Plate Fund to continue the program and finalize the coastal access guide. Work in the budget year will include evaluating approximately 500 coastal permits which contain offers to dedicate land for accessways. This task includes (a) working with the Coastal Conservancy to secure acquisition and development funding, and (b) arranging for local, nonprofit, or state management and operation of the accessways.

Local Assistance

We recommend transferring \$93,575 from Item 372-001-001 to Item 372-101-001 (a) to correct a technical error.

In 1980 Congress extended the Federal Coastal Zone Management Act for another three years. California's grant level is expected to increase from \$3 million on a fiscal-year basis to \$4 million on a calendar year basis. Of the \$4 million, \$2.2 million will be distributed to the Coastal Commission for its support and \$1.8 million will be used for local assistance, as shown in Table 1.

The budget provides a total of \$2,556,425 for local assistance in 1981–82, consisting of:

1. Federal Trust Fund (Item 372-101-890)	\$1,800,000
2. General Fund, state match (Item 372-101-001) (a)	356,425
3. General Fund, legislative mandates (Item 372-101-001) (b)	400,000
	<hr/>
	\$2,556,425

Carryover of federal funding. Table 1 shows \$5,134,265 of federal funds budgeted for local coastal zone management grants in the current year. This amount is an increase of \$3,789,265 above the \$1,345,000 shown in the 1980 Budget Act. This is because \$3,789,265 of unspent local assistance funds was carried over from 1979-80 into the current year. This carryover had occurred for the last several fiscal years because local governments are behind schedule in completing their local coastal plans. The commission cannot disburse the federal funds until the local governments complete specified LCP tasks in their work program.

As shown in Table 1, the commission expects to receive \$1.8 million in federal funds for local agencies to complete work on their LCPs. This is an increase of \$455,000 over the \$1,345,000 budgeted in the 1980 Budget Act. The amount of carryover from the current year is not known, but it will probably increase the amount of federal grant money available in 1981-82 by a substantial amount.

Correction of technical error. Item 372-101-001(a) includes \$356,425 from the General Fund to provide the 20 percent local match required for the federal grant. The budget also includes an additional \$93,575 from the General Fund to provide the local match for the increase in the federal grant. However, due to a technical error, this increase was incorrectly included in the commission's support budget (Item 372-001-001). In order to correct the error, the schedule for assistance to local planning agencies in Item 371-101-001(a) should be increased by \$93,575 (from \$356,425 to \$450,000) and the support item should be reduced by that amount.

Legislative Mandates

Item 371-101-001(b) provides \$400,000 to pay state mandated costs attributable to the Coastal Act whenever the mandated costs cannot be reimbursed by federal funds. The executive director of the commission is authorized to evaluate the local claims for reimbursement and make recommendations to the State Controller on the proper payment. Because the LCPs will not be completed by the statutory deadline, the \$400,000 will continue to be needed in 1981-82. Chapter 919, Statutes of 1979, also makes this appropriation available to reimburse local agencies for specified costs associated with implementing certified local coastal programs, such as initial administrative costs incurred in establishing local permit programs.

Resources Agency STATE COASTAL CONSERVANCY

Item 376 from special funds

Budget p. R 119

Requested 1981-82	\$27,632,176
Estimated 1980-81	5,583,975
Actual 1979-80	1,770,868
Requested increase (excluding amount for salary increases) \$22,048,201 (+ 395 percent)	
Total recommended reduction	\$24,128,896

1981-82 FUNDING BY ITEM AND SOURCE

Item	Description	Fund	Amount
376-001-565—Support		State Coastal Conservancy	\$927,088
376-001-721—Support		Parklands	591,731
376-101-188—Local Assistance		Energy and Resources	1,500,000
376-101-721—Local Assistance		Parklands	16,000,000
376-301-140—Capital Outlay		Environmental License	170,750
		Plate	
376-301-721—Capital Outlay		Parklands	7,000,000
376-490—Reappropriation (Capital Outlay)		State Coastal Conservancy	1,442,607
Total			\$27,632,176

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

*Analysis
page*

1. *1976 Park Bond Act. Reduce Item 376-001-565 by \$87,165.* Recommend reduction of \$87,165 because need for requested positions has not been demonstrated. 590
2. *Parklands Fund. Reduce Items 376-101-721, 376-301-721, and 376-001-721 by a total of \$23,241,731,* consisting of (1) \$16,000,000 in Item 376-101-721 for local assistance, (2) \$7,000,000 in Item 376-301-721 for capital outlay, and (3) \$241,731 in Item 376-001-721. Recommend reduction because there is no program of expenditures. 591
3. *Public Land Trust. Reduce Item 376-101-188 by \$800,000.* Recommend (1) reduction of \$800,000 for new public land trusts program and (2) approval of \$200,000 for technical assistance in order to limit the conservancy to organization of land trusts. 592
4. *Budget Bill Language.* Recommend adoption of revised Budget Bill language in Items 376-101-188 and 376-301-140 to correctly schedule expenditures. 593

GENERAL PROGRAM STATEMENT

Chapter 1441, Statutes of 1976, established the State Coastal Conservancy in the Resources Agency. The activities of the conservancy are unique and without precedent in state government.

The conservancy is authorized to acquire land, undertake projects, and award grants for the purposes of: (1) preserving agricultural land and significant coastal resources, (2) consolidating subdivided land, (3) restoring wetlands, marshes, and other natural resources, (4) developing a system of public accessways, and (5) improving urban-related land uses such as urban waterfronts. In general, the projects must conform to California Coastal Act policies, must be approved by the

Coastal Commission, or must be in conformity with a local coastal program (LCP).

The conservancy's jurisdiction coincides with the coastal zone boundaries of the California Coastal Commission. An exception is the San Francisco Bay and Suisun Marsh area where the conservancy has jurisdiction but the Coastal Commission has no jurisdiction.

The conservancy consists of the chairperson of the Coastal Commission, the Secretary of the Resources Agency, the Director of Finance, and two public members.

ANALYSIS AND RECOMMENDATIONS

This analysis is an integrated discussion of all seven items for the State Coastal Conservancy. It includes support, local assistance, and capital outlay (Items 376-001-565 through 376-490).

The budget requests \$27,632,176 for the conservancy's support, local assistance, and capital outlay programs in 1981-82. This is an increase of \$22,048,201, or 395 percent, over estimated current-year expenditures. Of this amount, \$1,518,819 is requested for support, \$17,500,000 is requested for local assistance, and \$8,613,357 is requested for capital outlay as shown in Table 1. Expenditures for support will increase by the amount of any salary or staff benefit increase approved for the budget year.

Table 1
State Coastal Conservancy Programs By Fund
1981-82

<i>Program</i>	<i>Fund</i>	<i>Amount</i>
A. State Operations		
1. Support (Item 376-001-565)	State Coastal Conservancy	\$927,088
2. Support (Item 376-001-721)	Parklands	591,731
a. LCP Grant Administration		(350,000)
b. Ongoing programs		(241,731)
Subtotal		\$1,518,819
B. Local Assistance		
1. Local Assistance (Item 376-101-188)	Energy and Resources	1,500,000
a. Land Trust program		(1,000,000)
b. San Dieguito Lagoon grant		(500,000)
2. Local Assistance (Item 376-101-721)	Parklands	16,000,000
a. LCP grants		(10,000,000)
b. San Francisco Bay grants		(5,000,000)
c. Santa Monica Conservancy grants		(1,000,000)
Subtotal		\$17,500,000
C. Capital Outlay Projects		
1. Capital Outlay (Item 376-490)	State Coastal Conservancy	1,442,607 *
2. Capital Outlay (Item 376-301-721)	Parklands	7,000,000
3. Capital Outlay (Item 376-301-140)	California Environmental License Plate	170,750
Subtotal		\$8,613,357
Total		\$27,632,176

* Reappropriation

The major reason for the nearly four-fold increase in the conservancy's budget is the approval of the California Parklands Act of 1980 (Chapter 250, Statutes of 1980) by the voters in the November 1980 general election. The act authorizes the issuance of general obligation bonds in the amount of \$285,000,000 for coastal and parkland acquisitions. Upon appropriation by the Legislature, the conservancy is

Table 2
State Coastal Conservancy
Proposed Budget Adjustments
1981-82

	<i>Coastal Conservancy Fund (Support)</i>	<i>Coastal Conservancy Fund (Capital Outlay)</i>	<i>Parklands Fund (Support)</i>	<i>Parklands Fund^a</i>	<i>Environmental License Plate Fund</i>	<i>Energy and Resources Fund</i>	<i>Other^b</i>	<i>Total</i>
1980-81 (Revised)	\$833,225	\$5,442,607	—	—	\$170,750	\$500,000	\$80,000	\$7,026,582
A. Workload Adjustments								
1. Public Access Grants	—	—	—	—	—	—500,000	—	—500,000
2. Aliso Trail—Phase 1	—	—	—	—	—170,750	—	—	—170,750
3. San Dieguito acquisition	—	—	—	—	—	—	—80,000	—80,000
4. Unspecified programs	—	—4,000,000	—	—	—	—	—	—4,000,000
B. New Programs								
1. Unspecified programs	—	—	+ \$241,731	+ \$7,000,000	—	—	—	+ 7,241,731
2. LCP Local Assistance Grants	—	—	+ 350,000	+ 16,000,000	—	—	—	+ 16,350,000
3. Land Trusts Program	—	—	—	—	—	+ 1,000,000	—	+ 1,000,000
4. San Dieguito Lagoon	—	—	—	—	—	+ 500,000	—	+ 500,000
5. Aliso Trail—Phase 2	—	—	—	—	+ 170,750	—	—	+ 170,750
C. Baseline Changes								
1. Price, Salary, Workload Changes	+ 93,863	—	—	—	—	—	—	+ 93,863
Proposed Changes	(+ 93,863)	(— 4,000,000)	(+ 591,731)	(+ 23,000,000)	—	(+ 1,000,000)	(— 80,000)	(+ 20,605,594)
1981-82 Proposed Budget	\$927,088	\$1,442,607	\$591,731	\$23,000,000	\$170,750	\$1,500,000	—	\$27,632,176

^a Includes local assistance and capital outlay.

^b State Parks and Recreation Fund.

STATE COASTAL CONSERVANCY—Continued

authorized to receive up to \$30 million for local assistance grants and \$10 million for its programs.

Program Changes

Table 2 details the proposed funding and program changes between the current and budget years. Table 3 shows the proposed position increases. The conservancy has requested an additional 14 positions that would be funded from the 1976 and 1980 Bond Acts. The staffing request is based on (1) the total amount of local assistance and capital outlay funds remaining under the 1976 Bond Act, (2) the full amount of new funds available under the 1980 Bond Act, and (3) the amount requested from special funds for 1981-82.

In effect, the conservancy has requested that virtually all of the funding available to it for the next several years be appropriated in a lump sum for 1981-82. It is clearly beyond the ability of the conservancy to spend the full amount next year. Consequently, the conservancy's staffing request is inflated. Furthermore, the conservancy has not scheduled in the Budget Bill those individual projects or categories of projects for which the funds would be spent. Finally, the conservancy is unable to distinguish at this time between projects which will be undertaken as local assistance grants or capital outlay projects. Instead, it proposes to formulate projects over the next several years and then decide whether the state or some local agency will construct them. After making this decision, it proposes to allocate

Table 3
State Coastal Conservancy
Position Changes by Funding Source
1981-82

<i>Authorized Positions</i>	<i>Position Count</i>		<i>Funding Source</i>	<i>Total Positions</i>
	<i>Existing 1980-81</i>	<i>Proposed 1981-82</i>		
A. Management:				
1. Executive Officer.....	1	—	1976 Bond	1
2. Assistant Executive Officer.....	—	1	1980 Bond	1
3. Project Analyst III.....	2	1	1976 Bond	3
Project Analyst III.....	—	1	1980 Bond	1
B. Staff:				
1. Project Analyst II.....	2	—	1976 Bond	2
Project Analyst II.....	—	2	1980 Bond	2
2. Project Analyst I.....	2	1	1976 Bond	3
Project Analyst I.....	—	2	1980 Bond	2
3. Legal Counsel.....	—	1	1976 Bond	1
4. Temporary Help.....	4	-2	1976 Bond	2
	—	1	1980 Bond	1
C. Administration:				
1. Fiscal Officer.....	1	—	1976 Bond	1
2. Staff Services Manager II.....	—	1	1980 Bond	1
3. Staff Services Analyst.....	—	1	1980 Bond	1
4. Account Clerk.....	—	1	1976 Bond	1
D. Clerical:				
1. Executive Secretary.....	1	—	1976 Bond	1
2. Stenographer.....	1	—	1976 Bond	1
3. Office Assistant II.....	1	—	1976 Bond	1
Office Assistant II.....	—	3	1980 Bond	3
	15	14		29

STATE COASTAL CONSERVANCY—Continued

money to each project from either its local assistance or capital outlay lump sum appropriation.

The conservancy's approach to budgeting would eliminate virtually all legislative review, approval, and oversight of its program. In order to provide for legislative control, we believe that the budget requests should be scaled back to a base consisting of the current year's funding from the 1976 Bond Act. To this base should be added sufficient funds for a staff increase to plan new projects for the budget year and the following fiscal year. Finally, funding should be provided to execute the individual projects when (and only when) the conservancy has identified and justified the projects as local assistance grants or capital outlay.

If this approach is taken, the support and capital outlay appropriations that would be warranted for the conservancy would consist of:

1. Item 376-001-565, support from 1976 Bond Fund (includes no new positions over 1980-81 base)	\$839,923
2. Item 376-490, capital outlay reappropriation from 1976 Bond Fund	1,442,607
3. Item 376-001-721, support from 1980 Parklands Act.	350,000
a. Funds 9.0 new positions.	
4. Item 376-101-188, local assistance from the Energy and Resources Fund.	700,000
a. San Dieguito Lagoon project.	(500,000)
b. Technical assistance for land trusts.	(200,000)
5. Item 376-301-721, capital outlay from the Environmental License Plate Fund.	
a. Aliso trail project.	170,750
1981-82 Total Recommended Appropriations	\$3,503,280

Using this outline, the conservancy's budget is discussed in more detail below.

1976 Park Bond Act (Items 376-001-565 and 376-490)

We recommend (1) a reduction of \$87,165 in Item 376-001-565 because there is no justification for the amount requested, and (2) approval of Item 376-490.

The conservancy is currently funded from \$10 million provided by the State, Urban, and Coastal Bond Act of 1976. Of this amount, \$7 million was appropriated by the Legislature in the Budget Act of 1978 as a lump sum for capital outlay expenditures, and \$3 million was held for support or other purposes. A portion of this \$3 million was appropriated in subsequent budget acts. The budget shows an unappropriated surplus of \$1,323,388 in the State Coastal Conservancy (Fund) at the end of the budget year. Of this amount, an estimated \$1,000,000 represents reimbursements to the fund from repayments of prior year project expenditures.

Capital Outlay. Item 376-490 reappropriates the undisbursed balance of Item 520.1, Budget Act of 1978 (\$1,442,607) which made a lump sum appropriation of \$7,000,000 to the conservancy for unspecified capital outlay purposes. As of September 30, 1980, the conservancy had approved funding for approximately 60 projects in the amount of \$6.6 million, out of the \$7 million appropriated for this purpose. The proposed reappropriation is based on a projected level of expenditures in the current year of \$4 million. Progress on the conservancy's projects has been slow and only one major project has been constructed to date. As a consequence, the current year expenditures may be significantly overestimated. However, reappropriation of the funds is necessary for the conservancy to complete the projects it has approved. On this basis, we recommend approval of the item.

Support. As shown in Table 3, the conservancy staff currently consists of 15 authorized positions (eight professional, three clerical, and four graduate student assistants). The conservancy also funds five temporary one-year positions from federal grants that are not expected to continue in the budget year.

The conservancy is requesting a support appropriation from the State Coastal Conservancy (Fund) of \$927,088, which is an increase of \$93,863, or 11.3 percent, over the current year. The increase would fund two new positions (project analyst III and senior account clerk) and upgrade two temporary help positions (legal counsel and project analyst I), at a total additional cost of \$87,165. In addition, \$6,698 is provided for price increases.

The conservancy's justification for these positions is based on a projected workload increase due to unspecified projects eligible for funding under the 1980 Bond Act. Our recommended approach to the conservancy's budget provides for continuation of the current year base level for capital outlay and staffing from the 1976 Park Bond Fund to complete currently approved projects. To the extent that additional staff is needed, it is primarily for workload associated with the 1980 Parklands Act. Consequently, we recommend approval of \$350,000 requested for increased staff (9.0 positions) in our analysis of the Parklands Act (see below), but find inadequate justification for these position changes. As a result, we recommend a reduction in Item 376-001-565 of \$87,165.

Parklands Fund (Items 376-001-721, 376-101-721, and 376-301-721)

We recommend (1) eliminating Item 376-101-721 (\$16 million for local assistance) because there is no program of expenditures, (2) eliminating Item 376-301-721 (\$7 million for capital outlay) because there is no program of expenditures and the conservancy has some funding remaining from the 1976 Bond Act, and (3) reducing Item 376-001-721 (\$591,731 for support) by \$241,731 because of lack of workload justification.

Local Assistance. Of the \$30 million authorized for coastal grants in the Parklands Act, the conservancy is requesting \$16 million in Item 376-101-721 for (1) projects to implement local coastal programs (\$10 million), (2) projects in the San Francisco Bay Area (\$5 million), and (3) projects in the Santa Monica Mountains (\$1 million).

The Parklands Act specifies detailed procedures, including the preparation of criteria and priorities, for the conservancy to follow in selecting and administering the grant projects. These procedures have not been followed to date. The conservancy states that the "types and magnitude of projects funded from this source has not yet been determined," and that these unidentified "projects must be funded as swiftly as possible to provide incentives for the certification of local coastal plans." Consequently, the budget request is not consistent with the clear procedural directives established in the statute by the Legislature.

We recognize the significance of the \$16 million as a means to implement statewide coastal policies at the local level, and that the conservancy should issue the grants in a timely manner. This should not, however, preclude a thorough review by the Legislature of the nature and type of grants to be made. Before the Legislature appropriates any portion of these funds, the conservancy should, as a minimum, provide a program or description of grant projects, specify priorities for expenditure, describe how the grants will serve as incentives for the timely submittal of local coastal plans, clarify the use of local assistance grants, and establish procedures for project selection. If the conservancy is able to provide such material prior to the legislative budget hearings, we will review it and make whatever modification to our recommendation is appropriate.

Capital Outlay or Local Assistance. The Parklands Act also authorizes \$10 million for expenditure by the conservancy for all of its programs, including administrative costs. The conservancy proposes that \$3 million of the \$10 million be allocated for support and \$7 million be appropriated for either capital outlay or local assistance in Item 376-301-721. Without a program of expenditures and priorities, we have no basis for evaluating the conservancy's request for this \$7 million lump-sum appropriation. Part of the difficulty arises from the fact that the Bond

STATE COASTAL CONSERVANCY—Continued

Act project categories for capital outlay funding duplicate the categories for local assistance. A project could be funded either as a capital outlay project or as a local assistance project depending on what the conservancy decided. The implications of this discretion for state-local relations is not clear. We think the conservancy's discretion should be narrowed before funding is provided.

In addition, the conservancy should not undertake a large number of new projects until it can demonstrate that a substantial number of the projects now underway will be completed by the end of the current year, as projected in the budget. The \$4 million in project expenditures estimated for the current year may be optimistic because the conservancy has historically overestimated expenditures. If too many new projects are undertaken, a backlog of projects could develop, thereby slowing the conservancy's progress toward the goals established for it by the Legislature. For these reasons, we recommend that Item 376-301-721 not be approved.

Administrative Support. The Parklands Bond Act specifically makes \$350,000 available for three years, starting with 1980-81, for support of the conservancy. The budget requests 9.0 new positions in Item 376-001-721 to administer the local coastal grant program contained in the Parklands Bond Act. Another 3.0 positions and \$241,731 is requested from the \$3 million allocated for administration, as described above under Item 376-001-721. Table 3 shows the additional positions requested from the Parklands Fund.

Because the Parklands Bond Act specifically provides \$350,000 for support of the conservancy, we are recommending approval of that amount. We recognize that the 9 positions requested by the conservancy under Item 376-001-721 may not be the precise positions the conservancy will need if, as we recommend, this is all the additional staff it receives. Therefore, we recommend that the conservancy be allowed some flexibility in establishing these positions.

The conservancy is requesting a third staffing increment at a cost of \$241,731. We recommend deletion of this amount. The \$350,000 recommended above plus the existing staff would provide for an increase from 15 to 24 positions in 1981-82. This should be sufficient for the conservancy to carry out its existing programs and to plan its new programs. When the programs are identified, the workload needed to perform them can be evaluated.

Public Land Trust Program (Item 376-101-188)

We recommend (1) a reduction of \$800,000 in Item 376-101-188 for a new public land trust program, and (2) approval of \$200,000 for technical assistance.

Chapter 667, Statutes of 1980, authorized the conservancy to award grants to, and acquire sites for, eligible public land trusts. A public land trust is a nonprofit, charitable corporation created to acquire and manage lands in the public interest or to provide access to the coast in lieu of state or local expenditures for the projects. There are approximately 15 land trusts in operation throughout the coastal zone, according to the conservancy.

For 1981-82, the conservancy proposes an expenditure of \$1,000,000 from the Energy and Resources Fund for unspecified grants and technical assistance to public land trusts. The conservancy estimates that this money will fund from two to five projects which will serve as "seed money" to generate income for the continuing support of the individual land trusts.

The California Coastal Commission and Coastal Conservancy recently prepared a report entitled, *Innovative Management and Funding Techniques for Coastal Accessways* (December 1980). This report, mandated by Chapter 840, Statutes of 1979, proposes a statewide nonprofit land trust to operate and maintain public access facilities. It states that a pilot program should be implemented to test this recommendation.

One of the report's specific recommendations is that the conservancy assist in *organizing* land trusts. Although the effort to organize land trusts is novel and untried, it may be worth experimenting with. However, we believe that \$200,000 is adequate for that purpose. The conservancy is proposing to go further and provide \$1 million in grants to *finance* land trusts to *undertake* unspecified projects. Undoubtedly land trusts are willing to spend state money. The purpose of organizing land trusts, however, is to create an entity that can raise funds from *private* sources and use these funds to supplement programs and projects which the state would otherwise have to finance by itself. If the state is also going to finance these projects, the advantages of a land trust begin to disappear.

On this basis, we recommend that only \$200,000 be appropriated for technical assistance by the conservancy in organizing land trusts.

San Dieguito Lagoon (Item 376-101-188)

We recommend adoption of Budget Bill language to schedule the project for expenditure.

In the current year \$80,000 was appropriated from the State Park and Recreation Fund to acquire 3.5 acres and construct a salt water tidal basin on a portion of the San Dieguito Lagoon in the City of Del Mar, San Diego County.

In the budget year, the conservancy proposes to finance a \$500,000 grant to the City of Del Mar from the Energy and Resources Fund to enhance the southeast portion of the lagoon. The two projects are distinct elements of the conservancy's overall plan to restore the lagoon area in cooperation with the city. This particular project proposes to (a) dredge and widen two existing channels and (b) create a least tern nesting island, mudflats, and a new marsh with portions of the dredged materials. The grant will primarily cover the costs of dredging up to 125,000 cubic yards of soil. The project is contingent on acquisition of the property by the Wildlife Conservation Board, which is expected to occur by the end of the current year.

The project should be scheduled in the Budget Bill along with the \$200,000 for land trusts as follows:

Item 376-101-188—For local assistance, State Coastal Conservancy, payable from the Energy and Resources Fund	\$700,000
Schedule:	
(a) San Dieguito Lagoon, San Diego County	\$500,000
(b) Public Land Trusts, Technical Assistance	\$200,000

Aliso Greenbelt Trail System (Item 376-301-140)

We recommend adoption of revised Budget Bill language for Item 376-301-140.

The Budget Bill of 1980 (Item 526) appropriated \$170,750 to the State Coastal Conservancy from the California Environmental License Plate Fund (CELPF) to finance a grant for constructing Phase 1 of the Aliso Greenbelt trail system in Orange County. The balance needed to complete the project—\$170,750—is requested in the budget year. Upon completion, there will be 8.8 miles of regional, hiking, biking and riding trails within the 4,000-acre Aliso Greenbelt development. The total project cost is \$341,500.

Our review indicates that this is a reasonable request. However, the Budget Bill language has incorrectly scheduled the project as a capital outlay project. Because the project is proposed as a grant, it should be scheduled for local assistance. Otherwise, the conservancy itself would have to undertake the project. The current year project was also budgeted as capital outlay on the presumption that the capital outlay designation provides the conservancy with the flexibility to either undertake the project or award a grant. It now appears that the project was

STATE COASTAL CONSERVANCY—Continued

incorrectly budgeted in the 1980 Budget Act. In order to correctly schedule the project in 1981–82, we recommend adoption of the following Budget Bill language:

Item 376-101-140—For local assistance, State Coastal Conservancy, payable from the Environmental License Plate Fund	\$170,750
Schedule:	
(a) Aliso Greenbelt trail system, Orange County	\$170,750

Resources Agency**DEPARTMENT OF PARKS AND RECREATION**

Item 379 from the General
Fund and from various funds

Budget p. R 124

Requested 1981–82	\$93,458,368 ^a
Estimated 1980–81	96,249,721 ^a
Actual 1979–80	79,887,286 ^a
Requested decrease (excluding amount for salary increases) \$2,791,353 (–2.9 percent)	
Total recommended reduction	\$11,435,333

1981–82 FUNDING BY ITEM AND SOURCE

Item	Description	Fund	Amount
379-001-001—Department Support		General (adjusted)	\$68,435,114
379-001-263—Department Support		Off-Highway Vehicle	2,591,894
379-001-392—Department Support		State Parks and Recreation	7,212,710
379-001-516—Boating Safety		Harbors and Watercraft Re- volving	311,662
379-011-062—State Park Road Repairs		State Parks and Recreation	1,500,000
379-101-140—Local Assistance Grants		Environmental License Plate	1,400,000
379-101-188—Local Assistance Grants		Energy and Resources	10,000,000
379-101-733—Department Support		1974 State Beach, Park, Rec- reation and Historical Facili- ties Bond	156,518
379-101-742—Local Assistance Grants		1976 Urban and Coastal Park Bond	1,850,470
Subtotal State Appropriations			\$93,458,368
Federal Funds			
379-001-890—Department Support		Federal Trust	2,674,672
379-101-890—Local Assistance Grants		Federal Trust	22,939,847
Total Appropriations			\$119,072,887

^a Expenditures for Urban Open-Space and Recreation Local Grants, and Off-Highway Vehicle Local Assistance Grant programs not included to facilitate comparison of expenditures.

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

*Analysis
page*

1. State Parks System Plan. Recommend that the fiscal subcommittees direct the department to explain why it did not submit a revised state park system plan to the Legislature on September 1, 1980 as directed in the 1980 Supplemental Language Report.

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2. Revoke Grant of Tidelands at Candlestick Point. Recommend legislation to revoke grant to City and County of San Francisco and to make land available at no cost for Candlestick State Recreation area. 602
3. *Operations Staff Increases. Reduce Items 379-001-001 and 379-001-263 by \$876,988.* Eliminate funding for 40.5 new positions because facilities will not be completed or because the requested positions are not needed. 603
4. Special Adjustment to Operations Program. Withhold recommendation on special adjustment reduction of \$585,000 and 27 positions until details are submitted. 605
5. Reorganization. Recommend department provide fiscal subcommittees with a report on its reorganization and an estimate of net savings. 606
6. Park User Fees. Recommend department submit to the Legislature by September 1, 1981, a formal policy for establishing state park user fees and for recognizing changing public use patterns. 607
7. Senior Citizen Discount Fees. Recommend department discontinue allowing senior citizens to use state park facilities at half price, except for holders of Golden Bear passes for use of day-use facilities. 608
8. Golden Bear Pass. Recommend legislation repealing existing law which provides for issuance of the Golden Bear pass in order to make additional General Fund revenue available for other priorities. 608
9. State Beaches in Los Angeles County. Recommend the fiscal subcommittees direct the department to explain why it did not submit to the Legislature, on December 15, 1980, a report as directed in the 1980 Supplemental Language Report, on arrangements with the County of Los Angeles to assure continuing operations of state beaches in Los Angeles after the present contract with the county expires. 609
10. Bazaar Del Mundo Concession. Recommend the fiscal subcommittees direct the department to explain why it failed to submit to the Legislature by December 15, 1980 for approval a renegotiated contract with Bazaar Del Mundo, or an analysis of alternatives and the department's recommendations as directed in the 1980 Supplemental Language Report. 610
11. *Concessions Staff Increases. Reduce Item 379-001-001 by \$85,095, and two positions for the department's concessions program because these positions were funded in the 1978 Budget Act.* Also recommend that the department work with the State Personnel Board to establish more reasonable salary levels for concession specialists. 612
12. New Concession Contracts. Withhold recommendation on four new concession contracts pending receipt of additional information. 613
13. State Park Properties. Recommend Department of General Services be directed to transfer to the Department of Parks and Recreation all properties acquired for the state park system which provide recreational and open-space benefits in order that the properties can be enjoyed by the public. 613
14. Authority to transfer properties. Recommend present law be changed to (1) provide that the Director of Parks and Recreation, 613

DEPARTMENT OF PARKS AND RECREATION—Continued

- rather than the Director of General Services, have the authority to transfer lands to the state park system, and (2) provide upon transfer of properties to the state park system, that all rents will be deposited in the General Fund rather than in the State Property Management Account in the General Fund.
15. *Resource Management Projects. Reduce Item 379-001-392 by \$473,250, to remove excessive funding for resource preservation projects.* 615
 16. *Urban, Open-Space and Recreation Grants. Reduce Item 379-001-188 by \$10,000,000. Recommend reduction because (1) the \$4 million for Urban Park grants, when combined with \$40 million from other sources, would substantially exceed the department's ability to administer the grants in 1981-82 and (2) the \$6 million for urban fishing projects is premature because there are unresolved problems and no details have been provided by the department.* 617

GENERAL PROGRAM STATEMENT

The Department of Parks and Recreation is responsible for the planning and implementation of broadly based park, recreation, cultural and natural resource preservation programs throughout California.

As steward of the state parks system, the department is responsible for acquiring, developing, preserving, interpreting, and managing the use of the outstanding natural, cultural and recreational resources of the state. New projects are undertaken with the advice of the nine-member California State Park and Recreation Commission.

In addition, the department administers state and federal grants to cities, counties and special districts to provide parks and open space throughout the state. Since 1976, emphasis has been given to acquisition and development of local and regional parks in urban areas.

The state parks system consists of 264 units containing approximately 1.1 million acres with over 240 miles of ocean and bay frontage and 675 miles of lake, reservoir and river frontage. Over 65 million park visitations are anticipated during 1981-82.

The system's units are grouped into several categories: state parks, state wilderness areas, state reserves, state historic parks, state museums, state recreation areas, state beaches, state underwater parks and preserves, and state vehicle recreation areas.

ANALYSIS AND RECOMMENDATIONS

The Budget Bill proposes nine appropriations totaling \$93,458,368 from state funds for support of the Department of Parks and Recreation and for local assistance grants in 1981-82. This is \$2,791,353, or 2.9 percent, less than estimated current year expenditures. The request for support will increase by the amount of any salary and staff benefit increases approved for the budget year.

The budget proposes total expenditures from all sources of \$134,862,092 (2,793 personnel-years) for the department's support and local assistance programs. Financing for these expenditures will come from the General Fund, special funds, federal funds and reimbursements. The budget shows total expenditures decreasing by \$6,802,472, or 4.8 percent, from the current year level. The net decrease results from: (1) a \$185,677 or 14.7 percent, reduction in statewide parks planning, (2) a \$127,630, or 1.3 percent, increase in acquisition and development planning, (3) a \$4,028,786, or 5.8 percent, increase in state park operations, (4) a \$703,936, or 23.3 percent, increase in resources preservation, and (5) a \$10,892,167, or 18.7

Table 1
Department of Parks and Recreation
Program Changes by Funding Sources

<i>Program Expenditures</i>	<i>Estimated 1980-81</i>	<i>Proposed 1981-82</i>	<i>Changes In</i>			<i>Reimburse- ments</i>	<i>Total Change</i>	
			<i>General Fund</i>	<i>Special funds</i>	<i>Federal funds</i>		<i>Amount</i>	<i>Percent</i>
Statewide parks planning.....	\$1,265,305	\$1,079,628	-\$309,366	-\$22,541	-\$83	\$146,313	-\$185,677	-14.7
Development of the state park system	9,824,418	9,952,048	-745,235	1,754,753	16,597	-898,485	127,630	1.3
State park operations	69,326,338	73,355,124	3,812,953	-79,805	175,455	120,183	4,028,786	5.8
Resources preservation	3,023,460	3,727,396	-76,830	983,674	-95,703	-107,205	703,936	23.3
Assistance to local park agencies	58,225,063	47,332,896	-1,928,798	-14,890,556	5,712,235	214,952	-10,892,167	-18.7
Administration distributed.....	(7,571,121)	(8,004,707)	-	-	-	-	-	-
Less Special Adjustment.....	-	-585,000	-585,000	-	-	-	-585,000	-
Totals	\$141,664,584	\$134,862,092	\$167,724	-\$12,254,475	\$5,808,501	-\$524,242	-\$6,802,472	4.8%

DEPARTMENT OF PARKS AND RECREATION—Continued

percent, decrease in financial assistance to local park agencies financed from bond funds.

Table 1 summarizes estimated and proposed expenditures, by program and funding source, for the current and budget years.

Program Changes

The following are the major changes proposed in the 1981-82 budget:

Statewide Parks Planning. The proposed reduction in statewide parks planning (-\$185,677) results from the completion of the statewide recreation needs analyses in the current year.

Acquisition and Development Planning. The proposed increase in acquisition and development planning (\$127,630) provides five new positions to assist in handling the backlog of acquisition projects and ownership records, and six new positions for off-highway vehicle minor capital outlay projects, energy audits in the state parks system and program administration. Seventeen personnel-years will be deleted in the budget year to reflect completion of interpretive exhibit work for the California Railroad History Museum.

State Park Operations. The budget provides a net increase of \$4,028,786 and 113.6 personnel-years for field operations. Included in this number are 67.4 positions for patrol of new acquisitions and operation and maintenance of new park facilities, 36 personnel-years for continuation of the Youth Conservation Corps summer program, 7 permanent field operations positions to be converted from temporary help and contract funds, and 6 new positions for management of concessions contracts. To partially offset these increases in operations cost, the department increased fees by approximately \$1.4 million annually at Hearst San Simeon State Historical Monument, effective January 1, 1981. The budget also reflects a "special adjustment" to the request for department operations amounting to a reduction of \$585,000 (General Fund) and 27 personnel-years. At the time this analysis was written, no details on this reduction were available from the department.

Resources Preservation. The budget proposes a net increase of \$703,936 for an expanded resources preservation program in the state park system. Staff support for this program will be established administratively during the budget year.

Assistance to Local Park Agencies. The 1974 and 1976 Park Bond Fund grant programs for local parks will be essentially completed in the current year. Chapter 1166, Statutes of 1979, appropriated \$10 million from the General Fund for additional grants for local park projects in urban areas during the budget year. The budget also requests \$10 million from the Energy and Resources Fund to finance additional grants for urban parks and for new urban fishing projects in 1981-82.

The local assistance budget makes no provision for grants from the California Parklands Bond Act of 1980, which made available \$115 million for local projects. It is anticipated that the department will submit a budget change letter requesting an appropriation from the Parklands Bond Act of 1980 for the budget year. In addition, the local assistance budget includes a \$300,000 grant to the Oakland Museum for the Hall of California Ecology, and a \$1.1 million grant to the City of Torrance for acquisition of Madrona Marsh. These grants would be financed from the Environmental License Plate Fund.

STATEWIDE PARKS AND RECREATION PLANNING

(Items 379-001-001, 263, 392 and 890)

The department's Planning Division provides a basic planning framework for departmental programs. The Planning Division has primary responsibility for

development of (1) the Statewide Recreational Needs Analysis, (2) the Park and Recreation Information System (PARIS), (3) the California Outdoor Recreation Resources Plan (CORRP), (4) the State Park System Plan, and (5) the Multi-Year Capital Outlay Program (MYCOP).

The budget proposes expenditures for this program of \$1,079,628 (30.5 personnel-years), a decrease of \$185,677, or 14.7 percent, below the current year. One position assigned to the statewide recreation needs analysis study would be eliminated.

State Park System Plan

We recommend that the fiscal subcommittees direct the Department of Parks and Recreation to explain why it did not submit a revised state park system plan to the Legislature on September 1, 1980 as directed by the 1980 Supplemental Language Report.

In the Budget Act of 1978, the Legislature directed the department to submit an updated State Parks System Plan to the the Legislature biennially, with the first report due on September 1, 1979. The department submitted a draft of its revised plan in November 1979.

In our *Analysis of the 1980 Budget Bill*, we stated that the draft represented a constructive step towards development of a comprehensive planning process for the department but that it was incomplete and contained major deficiencies in terms of: (1) determining the need for new recreational facilities and programs, (2) establishing short-term and long-term action plans, (3) creating a coherent urban parks policy, (4) addressing local assistance grants programs, (5) forecasting future operations and maintenance costs for the state park system, and (6) establishing a plan and estimated costs for future capital outlay projects.

In order to ensure that the State Park System Plan would be useful as a basis for making future policy and fiscal decisions affecting the state park system, the Legislature, in the Supplemental Report to the 1980 Budget Act, directed the department to correct the deficiencies and submit a revised version of the plan by September 1, 1980.

The department has not submitted a revised version of the plan. Instead, it published its "State Parks System Plan—1980" in April 1980 without having corrected the deficiencies. The Director of Parks and Recreation, however, advised the Chairman of the Joint Legislative Budget Committee that he had formed several task forces to address deficiencies in the plan, with special emphasis on formulating (1) updated policies for the departments programs, (2) new economic strategies to increase state park system revenues and reduce costs, and (3) detailed action plans for each of the department's programs. The recommendations of the task forces are to be consolidated into a report entitled "Mission 1990", which is to be submitted to the Legislature in the spring of 1981.

Because of the importance of the state parks system plan to the Legislature in making future policy and fiscal decisions affecting the state park system, we recommend that the fiscal subcommittees direct the department to explain why it did not submit a revised state park system plan to the Legislature on September 1, 1980.

DEVELOPMENT OF STATE PARKS SYSTEM (Items 379-001-001, 363, 392 and 890)

The Acquisition Division, Design and Construction Division, and the Resources Preservation and Interpretation Division jointly share the responsibility for development of the state park system. The proposed expenditures for this program total \$9,952,048, an increase of \$127,630, or 1.3 percent, above the current year. The budget proposes a increase of 11 personnel-years as follows:

- Four personnel-years to handle the backlog of property ownership records and maps.

DEPARTMENT OF PARKS AND RECREATION—Continued

- One personnel-year to assist in planning of acquisition projects.
- Two personnel-years to manage minor capital outlay projects for off-highway vehicle parks.
- One personnel-year for energy audits in the state parks system.
- Three personnel-years for program management and administration.

Funding Accumulating for Capital Outlay Projects. Since 1971, the department has spent in excess of \$513 million to acquire lands and construct new facilities for the state park system. Funding for these projects has been provided primarily from the 1964, 1970, 1974, and 1976 Park Bond Acts. Because most of the remaining bond monies would either be expended or committed to projects by July 1980, the Legislature enacted the following major legislation during the 1979-80 session to fund additional acquisitions and facilities to meet the park needs of California's expanding population.

Chapter 250 (SB 624). SB 624 submitted the \$285 million California Parklands Act of 1980 to the electorate for adoption in the November 1980 General Election. This bond issue, which the voters approved, provides \$130 million for state park acquisition and development projects. The department currently is conducting public hearings on candidate projects. Following approval of the projects by the State Parks and Recreation Commission and the Secretary of Resources, the department intends to submit an appropriation request for the initial round of projects in 1981-82. The request is anticipated by March 15, 1981.

Chapter 86 (SB 761). SB 761 transferred \$7.8 million of state tidelands oil revenues to the State Parks and Recreation Fund for acquisition and development of Seccombe Park in San Bernardino.

Chapter 372 (AB 1061). AB 1061 transferred \$7.5 million of state tidelands oil revenues to the State Parks and Recreation Fund for the first stage of acquisition and development projects in the Baldwin Hills of Los Angeles County.

Chapter 809 (AB 990). AB 990 transferred \$35,415,000 from state tidelands oil revenues into the State Parks and Recreation Fund and appropriated that amount to the Department of Parks and Recreation and the State Coastal Conservancy for 19 specified state park acquisition and development projects costing \$35,335,000, and a coastal marsh preservation project costing \$80,000.

Chapter 899 (AB 2973). AB 2973 transfers \$35 million of state tidelands oil revenues to the State Parks and Recreation Fund each year for a four-year period, for appropriation to the Department of Parks and Recreation for state park system projects.

High Level of Capital Outlay Funding. Over the next four years, the measures listed above will add \$320 million of new funding to approximately \$60 million of continuing funding from various sources, such as state park entrance fees, off-highway vehicle revenues and federal reimbursements, and approximately \$80 million of backlogged acquisition and development projects. This will result in a total capital outlay workload of about \$460 million. This means that the department will have to complete an average of about \$115 million of projects each year during the four-year period.

A \$115 million annual completion rate is well in excess of either the \$50 million rate that the department has averaged over the past 10 years, or the \$40 million rate that the department indicated in its State Park System Plan—1980, would be adequate for orderly implementation of its five-year capital outlay program. The department, the Office of State Architect and the Real Estate Services Division must greatly accelerate if a \$115 million annual completion rate is to be achieved. These agencies were able to complete about \$118 million of projects in 1979-80

because of several large projects which were relatively easy to accomplish. It is doubtful, however, that they can sustain more than \$65 million to \$70 million of project completions each year over the next four years without a sizeable increase in staff.

Our analysis indicates that the \$460 million of prospective project completions over the next four years would require up to 950 additional field operations positions to patrol the new acquisitions and operate and maintain the new facilities. This would increase state park operations costs from about \$70 million in 1981-82 to about \$120 million by 1985-86, assuming a 7 percent annual rate of inflation. Because General Fund revenues are unlikely to grow at this rate, the department's operations support budget is likely to account for an increasing share of total General Fund expenditures.

The Governor's Budget recognizes the high level of funding provided for the department's capital outlay program under existing law. Accordingly, to help alleviate the effects of a shortfall in tidelands oil revenue transfers into the Special Account for Capital Outlay in 1981-82, the Budget Bill proposes control language (Control Section 19.19) that would transfer \$40 million of tidelands oil monies from the State Parks and Recreation Fund to the Special Account for Capital Outlay. We believe this proposed transfer is warranted, and recommend that it be approved.

Problems Confronting Several Major Projects.

We have reviewed the status of a large number of acquisition and development projects which the department has in process at this time. Most of the projects are progressing at a reasonable pace. However, several major projects are experiencing difficulties.

Baldwin Hills Urban Park. Chapter 372, Statutes of 1980 (AB 1061), transferred \$7.5 million of state tidelands oil revenues to the State Park and Recreation Fund and appropriated that amount to the Department of Parks and Recreation for state park acquisition and development in the Baldwin Hills of Los Angeles County. Baldwin Hills, an active oil field, is adjacent to Culver City, approximately 8 miles southwest of downtown Los Angeles.

AB 1061 provides funds for the acquisition of about 200 acres as the first phase of a larger project. The property would be combined with 250 acres which are presently owned by the county. The project would ultimately encompass approximately 1,300 acres, at a cost estimated by the county to be in excess of \$40 million.

When the project was proposed to the Legislature last year, the department indicated that all oil extraction operations would be terminated by 1986. The property owners have since informed the department that they intend to use advanced oil extraction techniques to extend the life of the oil field for another 50 years, to the year 2030. This has stalled negotiations to acquire the property because Section 5001.65 of the Public Resources Code states that "commercial exploitation of resources is prohibited in state park system units."

Hearst Castle Visitor Center Project in Trouble. In Item 528(b), Budget Act of 1980, the Legislature appropriated \$237,800 from the General Fund to prepare working drawings for a new visitor center, concessions, park operations, maintenance and parking complex near the highway at Hearst San Simeon State Historic Monument. The total cost of the project was estimated to be \$5.5 million.

In our *Analysis of the 1980 Budget Bill*, we reported that the visitor center and concessions facilities at Hearst Castle are old, worn-out and should be replaced. However, we questioned the department's elaborate design and the high cost of the project. We recommended that the design be simplified and the cost reduced. The Legislature approved the working drawings as budgeted.

The department now indicates that the working drawings will not be completed

DEPARTMENT OF PARKS AND RECREATION—Continued

until June of 1982, and may require a \$70,000 augmentation by the Public Works Board. In addition, the total cost of the project may exceed \$6 million. The Department of Finance has decided not to request funds in the 1981 Budget Bill for project construction. This decision was apparently based on the department's view that the project has a low priority when compared to other General Fund projects. Therefore the future of the project is uncertain.

Huntington State Beach Redevelopment. Item 402(d), Budget Act of 1977 and Item 512(c), Budget Act of 1978, appropriated a total of \$577,590 to prepare working drawings for redevelopment of beach facilities and parking at Huntington State Beach.

Huntington State Beach has two miles of beach front on the Orange County Coast and is one of the heaviest used beach units (2.6 million visitations in 1978-79) in the state park system. Its beach and parking facilities were constructed in 1950 and are old, worn-out and in need of replacement. There is a sharp contrast between the old facilities at Huntington State Beach and the relatively new and attractive facilities at nearby Huntington City Beach and Bolsa Chica State Beach. The department estimates that redevelopment of the Huntington Beach facilities will cost approximately \$7 million.

Despite the fact that funds have been available for two years, the department has not started working drawings, and has not requested funds in the budget year for construction. The delays are attributed to unresolved disagreements between the South Coast Regional Commission, the City of Huntington Beach and the department on the design of new facilities.

Salt Point State Park, Campground Development. Item 498(b) and Item 503(k), Budget Act of 1978, appropriated a total of \$2,663,200 for working drawings and construction of new day-use and camping facilities at Salt Point State Park. Salt Point is located on the coast of Sonoma County about 40 miles north of Bodega Bay.

Because Salt Point is a popular ocean access point for SCUBA divers and a destination for owners of recreational vehicles, and because the park is without adequate day-use and camping facilities, the Legislature provided funding for phase 1 and phase 2 construction in 1978-79 so that both phases could be implemented simultaneously to expedite completion of the project and to effect savings in contracting costs. The department concurred and indicated that high priority would be given to the project.

At the time this analysis was written, construction had not been started. There are indications that major revisions in the project are being considered and that a substantial augmentation may be necessary.

Revoke Grant of Tidelands at Candlestick Point

We recommend that legislation be enacted to (1) revoke the grant of certain tidelands at Candlestick Point and (2) authorize the State Lands Commission to enter into a no-fee lease with the Department of Parks and Recreation so that the lands in the revoked grant may be added to the Candlestick State Recreation Area.

Pursuant to Chapter 1333, Statutes of 1968, certain vacant lands under the jurisdiction and control of the San Francisco Port Authority were granted in public trust to the City and County of San Francisco for purposes of commerce, navigation and fisheries.

Since 1978, the Department of Parks and Recreation has attempted to acquire 16 parcels of these lands from the city as part of the Candlestick State Recreation Area. These attempts have not been successful because the city claims ownership of the parcels in full fee, and indicates that a settlement of less than full market price would be unacceptable. To resolve the deadlock in negotiations, both the city and the department sought Public Works Board approval in August 1980, to commence a condemnation action.

In order to avoid protracted and costly litigation and possible state payment for lands which were transferred to the city at no cost to the city, we recommended to the Public Works Board that it deny the request for condemnation and that it ask the Attorney General for an opinion on the authority of the Legislature to revoke the grant to the city. The board denied condemnation and requested the opinion.

An Attorney General's opinion, dated September 12, 1980, stated that the Legislature may revoke the grant. We therefore recommend that legislation be enacted to revoke the grant at Candlestick Point. This legislation should also authorize the State Lands Commission to lease the lands at no cost to the department so that they may be added to the park.

STATE PARKS SYSTEM OPERATIONS (Items 379-001-001, 263, 392, 516 and 890)

The Operations Program manages, operates, and maintains the state parks system. The proposed expenditures for this program are \$73,355,124 (2,429.1 personnel-years), an increase of \$4,028,786, or 5.8 percent, above the current year. The budget provides for a net increase of 113.6 positions. The new positions are as follows:

- 67.4 personnel-years would be added for patrol of new acquisitions and operation and maintenance of new park facilities.
- 36 personnel-years would be added for continuation of the Youth Conservation Corps summer program.
- 7 permanent field positions would be created through conversion of temporary help positions and contract funds.
- 6 personnel-years would be added for management of concession contracts.
- 1 personnel-year would be added to restore a position lost via Section 20 of the 1980 Budget Act due to a technical oversight.

Operations Staff Increases

We recommend a reduction of \$876,988 and 40.5 new positions in Item 379-001-001 and Item 379-001-263 for patrol of new acquisitions and operation of new facilities because some facilities will not be completed and some positions are not needed.

The budget proposes \$1,726,134 (67.4 personnel-years) for patrol of new acquisitions and operation and maintenance of new day-use, camping and boating facilities in the state parks system in 1981-82. Our analysis indicates that the following reductions in the department's request are warranted on a workload basis:

American River Bike Trail. The department requests \$93,004 (4.2 personnel-years and associated operating expenses and equipment) for patrol and maintenance of eight miles of bike trail, consisting of four segments, and two miles of riding and hiking trail within Folsom Lake State Recreation Area. The trail is a segment of the American River Bike Trail which is being developed between the Sacramento River in Sacramento and Folsom Lake. The Folsom Lake State Recreation area is budgeted for 40 permanent positions and \$229,414 for temporary help in the current year.

We recommend deletion of \$31,703 and 2 positions for the bike trail because only two segments, rather than four segments, of the trail will be completed during the budget year.

Candlestick Point State Recreation Area. The department requests \$209,280 (6.6 personnel-years and associated operating expenses) for operation and maintenance of new day-use facilities at Candlestick State Recreation Area in San Francisco. This park is budgeted for 5 permanent staff positions and \$34,875 for temporary help in the current year.

DEPARTMENT OF PARKS AND RECREATION—Continued

We recommend deletion of \$135,850 and 4.6 personnel-years for this project because most of the new facilities will not be completed during the budget year.

Clear Lake State Park. The department proposes to spend \$83,449 (3.3 personnel-years and associated operating expenses) for operation and maintenance of a new 65-unit campground at Clear Lake State Park in Lake County. This park unit is budgeted for 9 permanent staff positions and \$42,750 for temporary help in the current year.

We recommend deletion of \$83,449 and 3.3 positions for this project because the department, as previously planned, should close down the existing Lakeview campground for redevelopment and rejuvenation of vegetation. This would permit the existing staff to be transferred to operation and maintenance of the new campground.

Crystal Cove State Park (formerly Irvine Coast Ranch). The department is requesting \$193,927 (18.3 personnel-years and associated operating expenses and equipment) for operation and maintenance of beaches and upland terraces at Crystal Cove State Park. This unit was acquired in December 1979 and currently has no staff.

We recommend deletion of \$193,927 and 18.3 positions because interim operating facilities for support of rangers, lifeguards and maintenance personnel, and sanitary facilities for the public are not available as provided under an agreement between the department and the tenants at Crystal Cove and Morro Cove. In addition, the department has not developed an interim operations plan for this unit to ensure public access to the beaches, the upland terraces and the canyon area. Until the agreement is secured and the plan completed, the department should continue to contract with local agencies for lifeguard and security services.

Lake Oroville State Recreation Area-Bidwell Canyon Campground. The department proposes to spend \$106,849 (3.7 personnel-years and associated operating expenses and equipment) to operate and maintain the Bidwell Canyon campground at Lake Oroville State Recreation Area. This campground was originally developed and operated by a concessionaire under a 40-year contract which expires on December 1, 2009. The contract calls for operation of a marina, marina store and recreational vehicle campground at Bidwell Canyon, a camp store at Loafer Creek and a gift shop at the Lake Oroville visitor center. The concessionaire discontinued operating most of the facilities last summer and the department has been operating them since then. The concessionaire now wants to modify the contract to operate only the revenue generating facilities at Bidwell Canyon, such as the marina and marina store and turn the money losing campground over to the department. The department's facilities at Lake Oroville are budgeted for 31 permanent positions and \$174,947 for temporary help in the current year.

We recommend deletion of \$106,849 and 3.7 personnel-years for operation of Bidwell Canyon. Further attempts should be made to get the existing concessionaire to manage the campground in conjunction with the other revenue generating facilities. If this is not possible, the concessionaire should be asked to turn over all facilities, including the marina and the marina store, to the state so that the concession can be bid to another operator.

Lake Oroville State Recreation Area—Thermalito Afterbay. The department proposes \$89,203 (2.2 personnel-years and associated operating expenses and equipment) for operation and maintenance of swimming and boating facilities at Thermalito Afterbay in the Lake Oroville State Recreation Area. The Afterbay is an artificial body with a fluctuating water level which is located between the Thermalito Power Plant and the Feather River. Lake Oroville is budgeted for 31 permanent positions and \$174,447 for temporary help in the current year.

We recommend deletion of \$89,203 and 2.2 positions for this afterbay project.

There are no established recreational facilities at the site. Public usage of the Afterbay is low (25,000 to 40,000 day-use visitations per year). If the department determines that supervision of this area is needed on days of peak public use, it should provide it using existing staff at Lake Oroville State Recreation Area.

Malibu Lagoon State Beach-Adamson House. The department proposes \$32,041 (1.1 personnel-years and associated operating expenses and equipment) for maintenance of the Adamson House at Malibu Lagoon State Beach on the Malibu coast. The department proposes to convert the house to a house museum. It is presently occupied by the Chancellor of Pepperdine University under a rental agreement with the state. Malibu Lagoon State Beach is included in the Santa Monica Mountains area, which is budgeted for 51 permanent positions and \$277,613 for temporary help in the current year.

We recommend deletion of \$32,041 and 1.1 positions for this project. There is inadequate parking at Malibu Lagoon State Beach for both beach users and museum visitors. In fact, a serious safety problem exists on summer days, in that both sides of the Coastal Highway at this point are lined with parked cars. The present arrangement with Pepperdine University appears to be satisfactory to both parties and the house has been properly maintained by the University for the Chancellor and his family. If the decision is made to convert the house to a museum, consideration should be given to leasing the property to the Malibu Historical Society for restoration and maintenance.

Malibu Creek State Park. The department proposes to spend \$66,196 (3.3 personnel-years and associated operating expenses) for operation and maintenance of new day-use and camping facilities at Malibu Creek State Park in the Santa Monica Mountains of Los Angeles County.

We recommend deletion of \$66,196 and 3.3 positions for this project because the day-use and camping facilities will not be completed during the budget year.

Pismo Dunes State Vehicle Recreation Area. The department proposes to spend \$219,664 (4 personnel-years and associated operating expenses and equipment) for patrol and maintenance of 2,100 acres of land acquired for addition to Pismo Dunes State Vehicle Recreation Area in San Luis Obispo County. This unit has been budgeted for 19 permanent positions and \$155,000 for temporary help in the current year.

We recommend deletion of \$76,469 and 2 positions for this project. The Legislature added \$200,080 and 7.5 positions in the 1980 Budget Act for patrol and maintenance of the property. Our analysis indicates that two positions for operation of heavy equipment are justified because of equipment additions. However, the other two positions do not appear to be justified because the Legislature approved sufficient positions for this purpose in the current year. We therefore recommend that only the equipment operators be approved.

Special Adjustment to Operations Program

We withhold recommendation on the proposed "special adjustment" reduction of \$585,000 and 27 positions until the Department of Parks and Recreation submits details on how the adjustment will be allocated to individual park units.

The budget includes a General Fund "special adjustment" which reduces the department's operations program. This adjustment would delete \$585,000 and 27 positions. No details have been provided by the department on how it will allocate the staffing cut to its state park units. We withhold recommendation on this project until the department submits the needed information.

DEPARTMENT OF PARKS AND RECREATION—Continued**Reorganization of State Park Operations**

We recommend that the department provide the fiscal subcommittees, at the time of budget hearings, with a report on its reorganization and an estimate of net savings to be gained from the proposed reduction in area offices.

In its budget request for the current year, the department proposed a reduction of \$162,000 (16 positions) in its state park operations program. According to the department, these savings would result from consolidating six district offices and the Sacramento operations headquarters into four new regional offices. The department also indicated that it would undertake a major consolidation of its area offices in 1980–81. The area offices are organizationally located between the park units and the four regions.

In acting on the 1980 Budget Bill, the Legislature approved the proposed reduction in staff. It also adopted language in the Supplemental Report to the 1980 Budget Act directing the department to limit its reorganization during 1980–81 to replacement of the Sacramento Operations Headquarters and six district offices with four regional offices. The department was also directed *not* to close its Eureka District Office. By letter dated October 22, 1980, the department, informed the Legislature of actions which it intended to take during the current year. These actions include:

- Consolidating the six districts into four regions.
- Reducing the size of the Sacramento Operations Headquarters staff and changing their duties from supervision of the division to coordination of regional efforts.
- Transferring limited engineering and resource management capabilities to the regions.
- Creating four special area managers for “sensitive locations,” and creating a new State Park Manager V classification.
- Planning a long-term consolidation of area offices for implementation starting in 1981–82.

As a second step in this reorganization plan, the department is requesting authority in the budget to (1) close 13 of the 54 area offices and (2) open one new area office, in 1981–82.

Area Offices to be Closed

- | | |
|-------------------------------------|-----------------------------|
| • Big Sur on the Monterey Coast | • Trinidad at Orick |
| • Delta at Rio Vista | • Hiouchi at Crescent City |
| • San Mateo at Half-Moon Bay | • Northern Mines at Shasta |
| • La Purisima at Lompoc | • Castle Craggs at Dunsmuir |
| • South Valley at Buttonwillow | • McArthur Birney at Birney |
| • Eureka at Blairsden | • North Valley at Chico |
| • Marshall Gold Discovery at Coloma | |

Area Office to be Opened

- Candlestick at South San Francisco

We agree in concept with the department’s plan to eliminate 13 area offices. This should provide for increased efficiencies without reducing public services in the state parks system. The department, however, has not provided a detailed analysis of the estimated costs and savings which should result from making such a major change. The consolidation of district offices into four regional offices is expected to produce sizeable net savings in the current year. The planned consolidation of area offices appears to be of even greater scale and should also produce sizeable net savings. For that reason, we recommend that the department provide

the fiscal subcommittees, at the time of budget hearings, with a report on its reorganization and on the estimated costs and savings associated with the proposed change.

Park User Fees

We recommend that the Department of Parks and Recreation submit to the Legislature by September 1, 1981, a formal policy for establishing state park user fees and for recognizing changing public use patterns.

Section 5010 of the Public Resources Code provides that "the Department of Parks and Recreation, whenever in its judgment it is practicable to do so, shall collect fees, rentals and other returns for the use of any state parks system area, the amounts to be determined by the department."

User charges have been levied against park visitors for many years and there has been a general acceptance of such charges. There are many sound reasons for having fees and charges. Some of the major reasons are: (1) to finance certain acquisitions and special recreational programs, (2) to provide enhanced levels of services beyond basic facilities and services, (3) to provide some control over facility use, and (4) to encourage a sense of responsibility among visitors in order to minimize vandalism and other anti-social activities. The department, however, has never had a coherent or written policy for establishing the levels of fees.

In the early 1960's, the department, based on an informal goal set by the Legislature, made an effort to recover at least 50 percent of its annual state parks operation and maintenance costs through the collection of user fees. As a result, the ratio of revenues to field operation costs increased from 37 percent in 1961-62 to a peak of 56 percent in 1967-68. Since that time, there has been a steady decline in revenues as a percent of field operation costs—to 29 percent in the current year, and to 28 percent in the budget year.

There are several reasons for the steady decline in the recovery of costs. The principal reasons are: (1) the substantial inflationary increases in the cost of salaries and wages, services and materials, (2) the addition of many new properties, facilities and special programs to the state parks system which are costly to operate and maintain, some of which produce little or no revenue, and (3) the lack of effective policies to keep user fees and concession rents at a reasonable but up-to-date level.

Chart 1
State Park System Fees
(Adult Fees Effective January 1, 1981)

<i>Day Use</i>		<i>Camping Per Night</i>	
• Per vehicle—	\$2	• Hook-up for trailers—	\$6 *
• Per vehicle and boat—	\$5	• Developed sites—	\$5 *
• Annual pass per vehicle—	\$25	• Primitive sites—	\$3 *
• Annual pass per vehicle and boat—	\$50	• Reservation fee—	\$1.75
• Walk-in fee—	\$.50	• Group rates—	\$10-\$50
• Golden Bear pass for senior citizens (annual)—	\$3.50	Hearst San Simeon SHM	
• Disabled veterans pass (lifetime)—	\$3.50	• Tours 1, 2 or 3—	\$7
		• Reservation fee—	\$80
Historic Units			
• Walk-in fee—	\$.50		

* One-half regular fee is charged senior citizens showing a Golden Bear pass.

DEPARTMENT OF PARKS AND RECREATION—Continued

In the interest of developing a policy for user fees in the state parks system, the department undertook, in 1977, a comprehensive study of local, state and federal park user fees in nearby western states. This study recommended that the department establish a formal, written fee policy as a guide for setting and maintaining reasonable user fees. Such a statement of policy, however, has not been established by the department.

Some changes have been made in fees since 1977, but these changes have been based on subjective judgments of what the public will tolerate. The most recent change provides for increases in Hearst Castle tour fees from \$5 to \$7, effective January 1, 1981. It is anticipated that this change will increase revenues by approximately \$1.4 million annually. The department's current fee structure is shown in Chart 1.

In view of the steady increase in the state parks system operation and maintenance costs, and the steady decline of the percentage of cost recovery from user fees, we recommend that the Legislature direct the department to submit by September 1, 1981, a formal policy for establishing state park user fees and for recognizing changing public use patterns.

Golden Bear Pass

We recommend that the department discontinue allowing senior citizens to use state park facilities for half price, except for holders of the Golden Bear passes for use of day-use facilities.

We further recommend that legislation be enacted to repeal existing law which provides for issuance of the Golden Bear pass.

Chapter 784, Statutes of 1977, provided that any person (1) who receives Supplemental Security Income (SSI) or (2) who is over 62 years of age and whose total monthly income from all sources does not exceed \$250 for a single person or \$500 for a couple, shall be issued a "Golden Bear Pass for Senior Citizens", upon payment of \$3.50. Pursuant to Chapter 784, this pass was to have been valid until January 1, 1980. At the end of the two-year period, the department was required to submit a report to the Legislature on the effectiveness of the program.

The special pass entitles the bearer to free use of *day-use* facilities in the state park system except for Hearst San Simeon State Historic Monument and Sutter's Fort State Historic Park. Chapter 784, however, provided that the pass would *not* be valid for overnight camping facilities.

The Department of Fish and Game has a similar program which provides for issuance of a free fishing license to senior citizens meeting criteria specified in the Welfare and Institutions Code. Fish and Game's program requires residency of at least five years. The Golden Bear Pass program has no residency requirement.

Prior to the completion of the two-year program authorized by Chapter 784, the Legislature enacted Chapter 576, Statutes of 1979, which made the Golden Bear pass permanent. In so doing, the Legislature increased the maximum income criteria from \$250 to \$350 for single persons and from \$500 to \$700 for couples. The provision specifying that the pass would not be valid for overnight camping facilities was continued.

The department indicates that only 2,380 Golden Bear passes were issued in calendar year 1980. This was less than 10 percent of the 33,000 passes which the department originally estimated it would issue annually.

Golden Bear pass permitted for camping. Despite the statutory provision that the Golden Bear pass would not be valid for overnight camping facilities, the department administratively decided in 1977 to offer camping facilities to holders of the Golden Bear pass at one-half the regular price.

In addition, since 1977 the department has permitted senior citizens without Golden Bear passes to use day-use, boating, and camping facilities at one-half the normal fee. During calendar year 1980, the revenue loss resulting from senior

citizen use of the state park system at one-half normal fees was estimated as follows:

<i>Facilities</i>	<i>Revenue Loss</i>
Day-use, 184,000 visitations	\$184,271
Boating facilities, 41,271 visitations	41,843
Boating and day-use, 64,670 visitations	129,340
Camping, 19,755 nights	49,367
Total revenue loss	\$404,821

Discount fees should be discontinued. Given the steady decline in the percentage of operating costs recovered through fees, the park system's growing dependence on the General Fund, the small number of senior citizens applying for the Golden Bear pass, the statutory policy that Golden Bear passes not be valid for camping, and the high revenue losses associated with the department's practice of providing half-price privileges to senior citizens, we recommend that the Legislature adopt the following supplemental report language directing the department to discontinue half-price privileges for senior citizens except those holding Golden Bear passes.

"The Department of Parks and Recreation shall provide half-price privileges only to holders of Golden Bear passes and only for day-use purposes."

We further recommend that legislation be enacted to repeal existing law which provides for issuance of the Golden Bear pass. The budget for 1981-82 proposes reductions in state programs serving the elderly and the disabled (including cash grant increases for aged, blind, and disabled persons). Discontinuance of the Golden Bear pass will provide General Fund savings which could be redirected to help in minimizing reductions in other state programs serving elderly and disabled persons.

Contract with Los Angeles County for Operation of State Beaches

We recommend that the fiscal subcommittees direct the Department of Parks and Recreation to explain why it did not submit to the legislature on December 15, 1980 a report, as directed in the 1980 Supplemental Language Report, on arrangements with the County of Los Angeles to assure continuing operation of state beaches in Los Angeles after the present contract with the county expires.

Since 1949, the Department of Parks and Recreation and the County of Los Angeles have been partners in an agreement whereby the state has acquired beach lands along the Pacific Coast, and the county has assumed responsibility for operation and maintenance of the beaches and for lifeguard services (law enforcement has been provided by the cities). In so doing, the county has retained all beach and concession revenues. A few similar agreements exist with other cities, counties and special districts elsewhere in the state.

Contract Expires. On June 30, 1981, the present 25-year contract between the department and the County of Los Angeles expires. This contract, which has 25 amendments, presently provides for county operation of approximately 22 miles of state-owned beaches. The county reports that in 1979-80, county operation of the state beaches resulted in operation, maintenance and lifeguard costs (excluding law enforcement) of about \$4,052,000 and revenues of \$812,000. This indicates that the county's net cost was approximately \$3,240,000 million to provide beach services for approximately 33 million persons.

Following passage of Proposition 13 in 1978, the County of Los Angeles sought state financial assistance to meet operation and maintenance costs for the state beaches. The Legislature increased the 1978 Budget Bill by \$2.5 million for that purpose but the Governor vetoed the appropriation because he felt that such a subvention was inappropriate. Since that time, the county has refused to provide

DEPARTMENT OF PARKS AND RECREATION—Continued

for operation and maintenance of new state beach properties.

Study not Ready. In view of the need to provide for continuing operation of the state beaches in Los Angeles County and the fiscal problems faced by both the state and the county, the Supplemental Report of the 1980 Budget Act required the department, in cooperation with the County of Los Angeles and other interested local agencies to "study arrangements which will assure continuing optimum operation and maintenance of units of the state parks system. The results of this study and the department's independent evaluation of costs and revenue data and recommendations will be submitted to the Joint Legislative Budget Committee not later than December 15, 1980."

The department's study and recommendations have not yet been submitted to the Legislature. Therefore, we recommend that the fiscal subcommittees direct the department to explain why it failed to submit the report on the required date.

Bazaar Del Mundo Concession in Old Town San Diego

We recommend that the fiscal subcommittees direct the Department of Parks and Recreation to explain why it failed to submit to the Legislature by December 15, 1980, an amended contract with Bazaar Del Mundo, for approval pursuant to Section 8.1 of the Budget Act, or an analysis of contract alternatives with the department's recommendations as directed in the Supplemental Report of the 1980 Budget Act.

Our *Analysis of the 1980 Budget Bill* pointed out that the state park system's largest concessionaire, Bazaar Del Mundo in Old Town San Diego State Historic Park, has been paying rent which is substantially below the rent paid by other state park concessionaires. Bazaar Del Mundo operates four restaurants having liquor licenses and 14 speciality shops. During the current year, it will pay only \$3,600 in rent, or 0.03 percent of its gross sales which are expected to approach \$10.7 million. By comparison, most other state park concessionaires pay in the range of 5 to 13 percent of gross sales to the state. The second largest concessionaire, Ogdan Food Services, which operates a snack bar having a beer license and a souvenir shop at Hearst San Simeon State Historic Monument, is expected to pay \$885,888, or 42 percent, rent on gross sales of \$2.1 million during the current year.

This situation is not fair to either the state taxpayers or other state parks concessionaires.

The Legislature adopted language in the Supplemental Report of the 1980 Budget Act which directed the department to attempt to renegotiate the contract with Bazaar Del Mundo, and if such negotiations were not successful, to submit a report to the Legislature on the status of negotiations, an analysis of alternatives and the department's recommendations, by December 15, 1980. The fiscal subcommittees also verbally directed the department to audit the Bazaar Del Mundo contract and operations.

Audit Report. The department's audit report was completed on May 20, 1980. This report, which was limited primarily to examination of gross receipts and capital expenditure records, indicates that (1) \$331,778 in unpaid rents is due the state because rents from gross receipts earned by sub-leasees had not been reported or paid and (2) that only \$966,158 of lease-hold improvements could be allowed for amortization deductions from rents, rather than \$2 million as claimed by the concessionaire. The auditors also questioned the concessionaire's conformance with certain contract requirements. As a possible remedy, the report cited provisions in the contract which give the state the right to buy-out the concessionaire after June 30, 1981.

Negotiations Stalled. The department has not been successful in its attempts to renegotiate the contract and it did not submit the required report to the Legislature on December 15, 1980.

Given the Legislature's need to take remedial action on this concessions contract, we recommend that the fiscal subcommittees direct the department to explain why it failed to submit to the Legislature, on December 15, 1980, an amended contract regarding with Bazaar Del Mundo for approval or an analysis of contract alternatives and the department's recommendations.

Concessions Program

The Department of Parks and Recreation has 168 concession contracts, 89 of which are house rentals to rangers and their families and to private individuals. The 79 concessions doing business in the state parks system range in size and activities from beach snack shops at Bolsa Chica State Beach, to a large lodge, restaurant, grocery and gift shop complex at Pfeiffer Big Sur State Park.

Since 1970-71, total revenues earned by the concessions have increased from \$7.1 million to \$22.1 million, more than a threefold increase. However, during the same period, rental payments to the state have increased from \$705,000 to \$1,150,000 less than a two fold increase. Thus, the state is not sharing proportionately in the growth of sales and profits which the concessions are experiencing.

Lack of Clear and Consistent Concessions Policies. Close examination of the department's concessions program reveals a serious lack of clear and consistent policies, plans and practices. Some of the smaller concessions are subject to stringent contract provisions, which closely control interior furnishings, prices of merchandise, and clothing worn by the sales persons. Some of the larger concessions, are subject to almost no controls.

The department also lacks a coherent formula for correlating state rents with a concessionaire's gross sales receipts. Lacking such a formula, the department charges a wide range of rents. Most of the rents are substantially below the rents that nearby businesses located on privately-owned properties pay. Concessionaires should have the opportunity to earn reasonable profits, but it is equally important that the state receive reasonable rents for use of its property, state-provided utilities and other facilities or services.

The department is aware of the deficiencies in its concessions program, and is studying ways to improve its contract controls. It is also developing plans for increasing concession activities in the state parks system with the objective of increasing public services and concession revenues. One alternative being evaluated is the increased use of nonprofit corporations to provide public services in certain park units such as Hearst Castle, the State Railroad History Museum and San Clemente State Beach.

Pacific Grove-Asilomar Nonprofit Corporation. The state currently has concession agreements with several nonprofit corporations. The most successful is the Pacific Grove-Asilomar Operating Corporation, which operates and maintains the Asilomar State Conference Grounds on the tip of Monterey Peninsula. Asilomar maintains and operates conference facilities, and provides sleeping, dining and meeting room accommodations to conference groups on a first-come, first-served basis.

The Asilomar State Conference Grounds, were acquired by the Department of Parks and Recreation in 1953 and have been operated since 1969 under a concession's agreement between the department and Pacific Grove Operating Corporation. This agreement expires on July 1, 1998. The Pacific Grove-Asilomar Operating Corporation is a nonprofit corporation with the state appointing its board of directors.

Under the concession agreement, the state incurs no financial obligations for the operation and development of Asilomar. All costs to operate Asilomar and to make capital improvements are paid from Asilomar's revenues. An operating account provides for all costs of managing and operating the facilities. At all times, at least

DEPARTMENT OF PARKS AND RECREATION—Continued

\$100,000 must be maintained in a reserve account for contingencies. All funds not budgeted in the operating account nor included in the reserve accounts are allocated to the Asilomar Capital Outlay Account for the construction of capital improvements.

Asilomar's operating budget and capital improvements budget must be approved by the Department of Parks and Recreation annually. However, the concession agreement does not provide for independent budgetary review and approval by the Legislature. The department may determine that a surplus of funds exists in the reserve account which should be transferred to the state. The concession agreement however, does not require that surplus funds be paid to the state. The surplus is defined as that amount in the reserve account, the operating account and the capital outlay account which is determined by the department to be in excess of Asilomar's needs. No surplus has ever been paid by Asilomar to the state.

Since 1969, Asilomar has expended approximately \$9.3 million for capital improvements. In 1980, a new facility expansion program estimated to cost \$7 million was undertaken.

In 1979-80, Asilomar earned gross revenue of \$4,362,473 and paid total operation and maintenance costs of \$3,506,196, for a net revenue of \$856,277. As of June 30, 1980, the corporation held pass book savings and investment certificates totaling \$2,712,164.

Problems of legislative oversight and control. Asilomar provides one example where a nonprofit corporation can effectively manage a major unit in the state park system. There may be other opportunities for the use of nonprofit corporations in the state park system but each opportunity would have to be studied in detail in order to determine the applicability of the concept. However, it is important to point out that if new nonprofit corporations are patterned after Asilomar, the best revenue generating state park units would be removed from legislative oversight and direct controls over services provided to the public, disposition of revenues and expenditures for operation and maintenance and capital outlay improvements.

Concessions Staff Increases

We recommend a reduction of \$85,095 and 2 personnel-years in Item 379-001-001 for the Department of Parks and Recreation's concessions program because these positions were funded in the 1978 Budget Act. We further recommend that the department work with the State Personnel Board to establish a more reasonable salary level for concession specialists.

In order to improve management of its concessions program, the department is requesting \$255,287 and the establishment of 6 new positions. According to the department, the new positions are needed to (1) formulate and implement an aggressive marketing strategy to bring more concessionaires into the system and provide a broader scope of services to the public, (2) develop financial management and research capability, (3) provide for improved contract management and negotiating capability and (4) provide post-audit reviews of concessionaire performance. The department's concessions unit presently has 3 positions.

In recognition of the need to strengthen the department's concessions program, we recommended in our *Analysis of the 1978 Budget Bill* that the concessions staff be increased from three to five positions. The Legislature agreed and added two positions. The department, however, absorbed these positions elsewhere in its headquarters staff and eventually dropped the positions from its concessions office.

We continue to believe that the department needs increased capability in its concessions program, especially with respect to market analysis, revenue forecast-

ing, and business experience. However, our analysis indicates that only four new positions, rather than six, are justified because the department should return the two positions to the concessions unit which the Legislature added in 1978. Therefore, we recommend that two of the six requested positions be deleted.

The department's proposed pay level of \$23,472 for concessions' management and audit specialists appears to be too low to recruit and retain experienced people. Thus, we further recommend that the department be directed to seek, with the assistance of the Department of Finance and the State Personnel Board, a realistic salary level for these classifications.

New Concession Contracts

We withhold recommendations on four concession contracts proposed by the department, pending receipt of information.

Section 8.1 of the Budget Bill requires legislative approval of new and amended concession contracts. The department has included the following concession proposals in its budget:

1. Huntington State Beach—Beach Stands and facilities.
2. Old Town San Diego State Historic Park—Light Freeman/Wrightington—Adaptive Use
3. Morro Bay State Park—Morro Bay Marine operation
4. Hearst San Simeon State Historical Monument—Snack bar and souvenir shop

We withhold recommendation on these proposed contracts because sufficient details to permit an analysis of them have not been provided by the department.

State Park Lands Managed by the Department of General Services

We recommend the Department of General Services be directed to transfer to the Department of Parks and Recreation all properties acquired for the state parks system which provide a significant recreational and open-space benefit.

We further recommend that present laws be changed to provide that the Director of Parks and Recreation, rather than the Director of General Services, shall determine when it is in the best interest of the state to transfer acquired lands to the state parks system. The legislation should also provide that, upon transfer of properties to the state parks system, all rental revenues shall be deposited in the General Fund rather than in the State Property Management Account in the General Fund.

Sections 15862 and 15863 of the Government Code provide that the Department of General Services shall manage all properties acquired for the state parks system until the Director of General Services determines that transfer of the property to the Department of Parks and Recreation is in the "best interest of the state." Any rents received by the Department of General Services for leasing such property are deposited in the Property Management Account in the General Fund which is continuously appropriated to the Department of General Services to cover property administration, maintenance, law enforcement and improvement costs incurred in managing the properties. Any unneeded balance in the account can be transferred to the General Fund, by order of the Director of General Services.

Income producing properties held by General Services. As of June 30, 1980, the Department of General Services managed approximately 79,000 acres of land which have been acquired for the state parks system. Most of the properties held by General Services are income producing agricultural and commercial properties, with some prime agricultural and commercial properties such as Carmel River Ranch (artichokes), Wilder Ranch (brussel sprouts) and Candlestick Point (industrial operations) having been held for several years.

The Department of General Services has reported that state park properties under its management resulted in total rental revenues of \$756,138 and expenses of \$802,570 in 1979-80 and an accumulated surplus of \$596,774 on June 30, 1980. The

DEPARTMENT OF PARKS AND RECREATION—Continued

department anticipates, however, that, starting in 1981–82, its rental revenues will be increased by about \$1 million annually, and its costs will be increased by only \$250,000. The large increase in rental will result from a 19-year lease which will soon be signed with 294 mobilehome owners at Crystal Cove State Park (Irvine Coast Ranch). These leases will provide rental revenues in the range of \$19 million to \$30 million over the next 19 years, depending on future inflationary increases. Under existing law, none of the rental revenues will be reported as state park revenues, nor will any of the revenues be directly deposited in the General Fund for appropriation by the Legislature. The surplus, which expected to be increased substantially starting in 1981–82, could be transferred to the General Fund, but the last such transfer was made in 1977 before the law was amended to cancel the requirement that the State Controller routinely transfer all surplus monies to the General Fund.

Properties should be transferred to the state parks system. We believe the Legislature did not intend that properties acquired for the state park system with general obligation bond proceeds should be withheld from public enjoyment and used for purposes other than those provided by the Department of Parks and Recreation when the acquisition was approved by the Legislature. We also believe the Legislature intended that substantial rental revenues be deposited in the General Fund, rather than be used by the Director of General Services for other purposes.

Based on our understanding of legislative intent, we recommend adoption of the following Budget Bill language requiring transfer of properties acquired for the park system to the Department of Parks and Recreation:

“The Department of General Services shall transfer all properties acquired for the state parks system which will provide a significant recreational or open-space benefit to the public to the Department of Parks and Recreation for inclusion in the state parks system as soon as possible.”

We also recommend that legislation be enacted to amend Sections 15862 and 15863 of the Government Code to provide that the Director of Parks and Recreation, rather than the Director of General Services, shall determine when a transfer of lands to the state parks system is in the best interest of the public. Such legislation should also require that, upon transfer of properties to the state parks system, all revenues shall be deposited in the General Fund rather than in the Property Management Account.

State Park Reservation System

In our *Analysis of the 1980 Budget Bill*, we pointed out that since 1971 the department has relied on a contractor-operated system to reserve space in the state parks system. The contractor has 150 walk-in ticket offices, located primarily in retail stores in heavily populated areas of the state. This system has serious deficiencies in that (1) the locations of offices are not well known to the public, (2) in many cases, people must wait in line to make reservations, (3) reservation agents often are not familiar with the state parks system, and (4) persons in rural areas and small towns are not served by convenient offices and must make reservations by mail.

To make it more convenient for the public to reserve space in state park units, the Legislature adopted language in the 1980 Supplemental Language Report that requires the department to submit to the Legislature by March 1, 1981, its recommendations for implementing a statewide telephone reservation system. The system would use (a) an 800 toll-free number, or (b) local telephone numbers in each region. These telephone systems would operate under one of three alternatives

(1) a state-owned and operated computer and telephone reservation system, (2) a contractor-owned and operated computer and telephone reservation system, or (3) a contractor-owned and operated computer system and a state-operated reservation system.

The department indicates that the required plan will be submitted to the Legislature by March 1, 1981 in order to permit the fiscal subcommittees to review and decide what alternative should be implemented.

RESOURCE PRESERVATION

(Items 379-001-001, 263 and 392, and Item 379-001-890)

The Resource Preservation and Interpretative Division has been assigned the responsibility to protect the natural, cultural and historical resources of the state parks system. The budget proposes expenditures of \$3,727,396 (75.7 personnel-years) for this program in 1981-82, which is an increase of \$703,936, or 23.3 percent, over estimated current year expenditures. This reflects a net increase of six positions as follows:

- 3 temporary help positions would be converted to permanent positions for archaeological investigations.
- 2 positions for protection of natural resources in the off-highway vehicle parks would be added.
- 1 position would be established for administrative support.

Resource Management Projects

We recommend a reduction of \$473,250 in Item 375-001-392 for resource preservation projects because the existing level of funding appears to be sufficient.

In the current year, \$500,000 was provided from the Energy and Resources Fund for an expanded Resource Management program in the state parks system. The budget proposes to continue the program and requests \$1,073,250 from the State Parks and Recreation Fund for this purpose in 1981-82. The department is also requesting \$283,825 under Item 379-301-188 from the State Parks and Recreation Fund for seven minor capital outlay projects which relate to resource preservation activities. This would provide the department a total of \$1,357,075 for such projects.

Our analysis indicates that the department can effectively manage up to \$900,000 (\$600,000 for the resource management program and \$300,000 for related minor capital outlay projects) of preservation projects each year, using up to 20 temporary workers and outside contractors. Its ability to adequately staff and supervise a \$1.36 million program, however, is questionable without a sizeable increase in staff. For that reason we recommend (1) that \$473,250 be deleted and the resource preservation program approved in the amount of \$600,000 under Item 375-001-392 and, (2) that \$283,825 be approved under Item 379-301-188 for minor capital outlay projects. This will expand the program by \$100,000 over the current year. Some of the larger drainage and redevelopment projects should be included within future minor and major capital outlay projects in order to assure that the improvements are properly engineered and constructed.

ASSISTANCE TO PUBLIC AND PRIVATE RECREATIONAL AGENCIES

(Items 379-001-001, 263, and Items 379-101, 140, 263, 733, 742 and 890)

The Recreation and Local Services Division is responsible for providing financial and technical assistance to public and private recreational agencies. The budget proposes expenditures of \$47,332,896 (33.7 personnel-years), a decrease of \$10,892,167, or 18.7 percent, below the current year level. The budget proposes a net increase of 1 personnel-year as follows:

- One position is proposed for deletion to reflect the decreasing workload associated with grants from the 1976 Bond Act.

DEPARTMENT OF PARKS AND RECREATION—Continued

- Two positions are proposed to administer the proposed Urban Fishing grants program.

The department's local assistance grants programs peaked in 1978-79, at a level of \$78 million in program expenditures, and have declined steadily to an estimated level of \$47 million in 1981-82. The 1981-82 level reflects completion of the state's bond-funded grant programs in the current year. Grant programs funded from the General Fund, the Energy and Resources Fund and the Federal Land and Water Conservation Fund are expected to continue in future years. Table 3 shows the estimated grant amounts for the current and budget years from various funding sources.

Table 3
Parks and Recreation Grants by Source of Funding
Estimated Expenditures

<i>Fund Source</i>	<i>Estimated 1980-81</i>	<i>Proposed 1981-82</i>	<i>Budget Bill Item</i>
General Fund	\$11,771,942	\$10,000,000	Chapter 1166, Statutes of 1979
Energy and Resources Fund	—	9,972,660	379-101-188
State Parks and Recreation Fund	150,000	—	—
Off-Highway Vehicle Fund	7,094,309	—	—
State Beach, Park, Recreational and Historical Facilities Fund of 1964	831,500	—	—
State Beach, Park, Recreational and Historical Facilities Fund of 1974	4,301,069	—	—
Nejedly-Hart State Urban and Coastal Bond Fund of 1976	12,984,263	1,639,267	379-101-742
California Environmental Protection Program Fund	450,000	1,400,000*	379-101-140
Energy and Resources Fund	2,000,000	—	—
Federal Trust Fund	17,300,000	22,939,847	379-101-890
Total	\$56,883,083	\$45,951,774	

* Includes \$300,000 grant for "Hall of California Ecology" at Oakland Museum and \$1,100,000 grant to City of Torrance for acquisition of Madrona Marsh.

California Parklands Bond Act of 1980

The California Parklands Bond Act of 1980 was approved by the voters in the November 1980 General Election. It provides \$85 million in grants to cities, counties and special districts for local and regional parks, swimming pools, and other neighborhood and community recreation facilities. These grants will be distributed on the basis of population, but no county will receive less than \$100,000. Park development grants will cover 100 percent of total project cost, while grants for land acquisition will cover 75 percent of total project cost. An additional \$30 million will be provided under the Roberti-Z'berg Urban, Open-Space and Recreation grants program for urban parks with 25 percent local matching.

The department's request does not include appropriations for grants under the 1980 Parklands Bond Act. We anticipate, however, that the department will request the full \$30 million available for urban park grants by budget change letter this spring.

California Urban, Open-Space and Recreation Local Grants Program

We recommend deletion of \$10 million in Item 379-101-188 from the Energy and Resources Fund for urban park grants and urban fishing projects.

Chapter 174, Statutes of 1976, established the Urban, Open-Space and Recreation grants program. This program allocates money on the basis of population to cities, counties and districts for the acquisition and development of high priority recreation and open-space projects. These projects place emphasis on the most urgent recreation needs in the most heavily populated areas.

Since 1976, the Legislature has made Budget Act appropriations totaling \$75 million for this grant program. Chapter 1166, Statutes of 1979, supplemented these funds by appropriating an additional \$10 million in 1980-81 and \$10 million in 1981-82 from the General Fund.

The Governor's Budget requests \$10 million from the Environmental Resources Fund for this program. Of that amount, \$4 million would be granted to urban park projects and \$6 million would be used for a new urban fishing program.

Urban Park Grants. The department's request for \$4 million from the Energy and Resources Fund, when combined with the \$10 million appropriated by Chapter 1166, Statutes of 1979, and the \$30 million which the department is expected to request from the 1980 Parklands Bond Act for the budget year, would provide \$44 million for urban park grants in 1981-82. This would substantially exceed the departments' capability to administer the grants given that it has only handled a peak of \$27 million in 1978-79. Also at issue is the ability of the local park agencies to absorb increased grants and to implement an increased number of projects in the budget year and provide for substantial increases in ongoing, operational maintenance costs. For these reasons, we recommend that the \$4 million from the Energy and Resources Fund be deleted.

Urban Fishing Program. The Department of Parks and Recreation, in cooperation with the Department of Fish and Game, is proposing to implement an urban fishing grant program in heavily populated areas of the state. These grants would be financed with \$6 million from the Energy and Resources Fund. Preliminary information from the Department of Parks and Recreation indicates that the grants would be made to local agencies to rehabilitate for fishing small lakes and reservoirs, such as Lake Merritt in Oakland. The Department of Fish and Game would stock the lakes and reservoirs with fish and advise the local agencies on maintaining fish habitats.

We have no problems with the primary objectives of the proposed urban fishery program. However, the request is premature because there are major unresolved problems involving (1) restoring and maintaining of satisfactory water quality and natural habitat conditions in the lakes and reservoirs, (2) whether the Department of Fish and Game is able to increase its hatchery production to stock the lakes and (3) whether the Department of Fish and Game has the capability to ensure that individuals fishing in these areas are properly licensed. In addition, the Department of Parks and Recreation has not provided sufficient information to permit an analysis of what can be accomplished under the program and what the cost of the individual projects would be. For these reasons, we recommend deletion of \$6 million for this program.

MANAGEMENT AND ADMINISTRATION
(Items 379-001-001, 263, 392 and Item 379-101-733)

Departmental administration is the responsibility of the director, his staff and the administrative services division. The budget proposes \$8,004,707 for this program (186.4 personnel-years), an increase of \$433,586, or 5.7 percent, over the current year. This reflects a net increase of 9.2 personnel-years as follows:

- 4 personnel-years for increased accounting workload.

DEPARTMENT OF PARKS AND RECREATION—Continued

- 2 personnel-years to support increased operation and maintenance in the state parks system.
- 3.2 personnel-years for management of the department's off-highway vehicle program.

Our analysis indicates that the above positions are justified and should be approved.

DEPARTMENT OF PARKS AND RECREATION—CAPITAL OUTLAY

Item 379-301-188 from the Energy and Resources Fund

Budget p. R 145

Requested 1981-82	\$584,686
Recommended approval	584,686

ANALYSIS AND RECOMMENDATIONS

(a) *Project Planning and Design* **\$160,044**

We recommend approval.

This request reimburses the department's support Item 379-001-001 for project planning and design of capital outlay projects which will eventually be financed for construction from the Energy and Resources Fund.

(b) *Minor Capital Outlay Projects* **\$424,642**

We recommend approval.

This request is for the second phase of the department's solar retrofitting program. Under this program, the department is installing solar-assisted hotwater heaters and heat pumps in state parks facilities, such as restrooms, shops, residences and offices. In the second phase of the program, the department will install solar equipment in 25 buildings.

DEPARTMENT OF PARKS AND RECREATION—CAPITAL OUTLAY

Item 379-301-263 from the Off-Highway Vehicle Fund

Budget p. R 145

Requested 1981-82	\$13,168,700
Recommended approval	618,300
Recommended reduction	4,800,000
Recommendation pending	7,750,400

ANALYSIS AND RECOMMENDATIONS

(a) *Hollister Hills State Vehicle Recreation Area—working drawings for facility improvements* **\$250,400**

We withhold recommendation, pending completion of cost estimates for this project.

Hollister Hills State Recreation Area is located in the northwest portion of San Benito County, about 7 miles south of the City of Hollister. This park, which consists of 3,326 acres of mountainous canyons is very popular with the owners of

off-highway vehicles from the San Francisco Bay Area. Soil erosion is a difficult problem at this unit because motorcycles and four-wheel drive vehicles dig ruts which become badly gullied during storms.

The proposed project would provide working drawings and specifications for (1) erosion control and revegetation work, and construction of sediment catchment basins and drainage culverts, (2) rerouting of trails and hill climbs, (3) renovation of an existing ranger residence, (4) construction of two solar shower facilities and a storage building, (5) construction of gravel roads, and (6) procurement of several items of mobile equipment.

Our analysis indicates that the proposed work and improvements are justified and reasonable. We withhold recommendation, however, pending receipt of the State Architect's preliminary design analysis and cost-estimate for this project.

(b) Carnegie State Vehicle Recreation Area—acquisition..... \$1,100,000

We recommend deletion of \$1,100,000 for this project.

Carnegie State Vehicle Recreation Area is located in the southwest corner of San Joaquin County, approximately 12 miles southeast of Livermore. This off-highway vehicle park, which presently consists of 1,540 acres, is within a 2-hour drive from the San Francisco Bay and Sacramento areas.

The proposed addition contains approximately 2,222 acres divided among 10 ownerships. The topography of the proposed addition consists of gentle, open rolling hills with gradual to steep slopes. The property is presently being used for sheep and cattle grazing, and there is no evidence that the property has been used by off-highway vehicles. There are no residences on the property, and it is zoned for general agricultural parcels of 160 acres minimum size. The department has not completed an appraisal of the property, as required by Chapter 1080, Statutes of 1979.

We understand that the property owners are unwilling sellers and that the surrounding rural community is opposed to state acquisition of the property and further expansion of Carnegie Off-Highway Vehicle Park. The department also indicates that it will not use condemnation and that consideration is being given to dropping the project. For these reasons, we recommend that the acquisition be deleted.

(c) Hollister Hills State Vehicle Recreation Area—acquisition.... \$2,000,000

We recommend deletion of \$2,000,000 for this project.

Hollister Hills State Vehicle Recreation Area is located in the northwest portion of San Benito County, about 7 miles south of the city of Hollister. This off-highway vehicle park, which consists of 3,326 acres of rolling hills and mountainous canyons, is popular with owners of off-highway vehicles from the San Francisco Bay Area.

The proposed acquisition would add approximately 2,010 acres of gentle to steep rolling hills to the park. The land, which is split between two ownerships, is presently used for sheep and cattle grazing and has no residences or ranch buildings. The properties are fenced and the use of off-highway vehicles is not permitted. The department has not completed an appraisal of the property, as required by Chapter 1080, Statutes of 1979.

We understand that the property owners are unwilling sellers and that there is considerable resistance in the community of Hollister to state acquisition of this prime grazing and viewshed area. The department indicates that it will not use condemnation to acquire the property and that it is giving consideration to dropping the project. As a consequence, we recommend that the acquisition be deleted.

(d) Ocotillo Wells, State Vehicle Recreation Area. \$7,500,000

We withhold recommendation, pending completion of the appraisal on the property.

Ocotillo Wells State Vehicle Recreation Area is located approximately 100 miles

DEPARTMENT OF PARKS AND RECREATION—CAPITAL OUTLAY—Continued

northeast of San Diego, on the east boundary of Anza-Borrego State Park. This popular off-highway vehicle park, which consists of approximately 12,200 acres, is undeveloped desert and desert mountains that are subject to uncontrolled and extensive use by off-highway vehicle owners, primarily from the Los Angeles, San Diego, and Riverside areas.

The proposed addition contains approximately 52,800 acres, of which 18,585 acres is under Bureau of Land Management ownership, 4,650 acres is under State Lands Commission ownership and 29,565 acres is under private ownership. The Bureau of Land Management and State Lands Commission lands would be transferred at no cost to the state parks system. Fee title for the privately-owned lands would be acquired.

The project is similar to the existing state-owned lands at Ocotillo Wells. It consists of open desert and desert mountains which have been subject to heavy use by off-highway vehicles for several years. There are no improvements on the properties but there is one natural spring which the department plans to protect and preserve from further damage by off-highway vehicles. The department's operating costs for the first three years are estimated to be \$454,000.

Given the large acreage, remote location and extensive off-highway vehicle usage of the property, we believe that the proposed acquisition is a logical addition to the existing off-highway vehicle park. This major expansion has the potential of consolidating state ownership of recreational lands in the area and, through proper management, minimizing uncontrolled use and protecting fragile desert resources. However, we withhold recommendation pending completion of the appraisal on the property required by Chapter 1080, Statutes of 1979.

(e) *Sycamore Canyon—acquisition* \$1,700,000

We recommend deletion of \$1,700,000 for this project.

Sycamore Canyon is located in San Diego County, approximately 6 miles north of Santee and 20 miles south of Escondido. The proposed acquisition would provide for a new state operated and maintained area for use by off-highway vehicle owners in the San Diego area. The 554 acres proposed for acquisition are adjacent to an existing 1,326-acre undeveloped county park which is to be deeded at no cost to the state.

The project is split into two portions. The western acquisition is the 320-acre Goodan Ranch which consists of a wide, flat canyon floor with gently sloping hills. The vegetation in the canyon consists of oak and sycamore trees and an old grove of olive trees. The ranch is now used for light-truck farming and grazing. It has a residence, several ranch buildings and two productive wells. A variety of wild animals and migratory song birds can be found on the ranch. The northern acquisition consists of several small parcels which have been developed into ranchettes. Two new homes have recently been constructed. The homes have outstanding views across the Goodan Ranch. The properties are all fenced, including the county park, and access by off-highway vehicles has not been permitted. An appraisal of the property has not been completed, as required by Chapter 1080, Statutes of 1979.

We recommend that the project be deleted for the following reasons: (1) the department has not completed a study, as required by Item 532.5, Budget Act of 1980, of the feasibility of developing this property into an off-highway vehicle park, (2) the department is proposing to acquire a 65,000 acre state off-highway vehicle park at Ocotillo Wells which is east of San Diego, (3) the proposed acquisition of improved properties, including recently developed ranchettes, may require condemnation, and (4) unlike other properties acquired for state off-highway vehicle parks, this land has not been previously used by off-highway vehicles. The vegeta-

tion, trees and wildlife habitats on this property are undisturbed and have been preserved in their natural state. The property may be better suited to development as a multi-use regional park, rather than as an area for use by off-highway vehicles.

(f) Minor Capital Outlay Projects \$618,300

We recommend approval.

This request is for 18 projects involving erosion control, soil reclamation, revegetation, sediment catch basins, drainage lines, and rerouting of trails at state off-highway vehicle parks. The number and cost of such projects is anticipated to increase steadily as the existing state off-highway vehicle parks are expanded and new park units are acquired and developed.

DEPARTMENT OF PARKS AND RECREATION—CAPITAL OUTLAY

Item 379-301-392 from the State
Parks and Recreation Fund

Budget p. R 145

Requested 1981-82	\$16,003,105
Recommended approval	12,229,894
Recommended reduction	866,211
Recommendation pending	2,907,000
Recommended augmentation	218,400
Net recommended approval	\$12,448,294

ANALYSIS AND RECOMMENDATIONS

**(a) Big Basin State Park—working drawings and construction for
sewer \$713,000**

We recommend approval.

Big Basin State Park is located in the Coastal Mountains, approximately 20 miles southwest of San Jose.

The sewage collection and treatment system at Big Basin State Park was constructed in the early 1930's. On July 13, 1979, the Central Coast Regional Water Quality Control Board adopted Order No. 79-64 requiring the Department of Parks and Recreation to "cease and desist" from discharging treated sewage effluent into the east branch of Waddel Creek because the treated effluent exceeds the board's wastewater regulations. Full compliance with the regulations is required by December 1, 1982.

As a result of the cease and desist order, the department is requesting \$713,000 to construct and install: (1) a roof on the existing sand filter beds, (2) a storage tank for retention of improperly treated effluent when the treatment plant malfunctions, (3) coagulation, chlorination and dechlorination chambers, and (4) automatic controls and alarms at critical points in the treatment system. The department intends to apply for reimbursement of these costs under the federal Clean Water Grant program.

The sewage treatment system at Big Basin State Park is obsolete and seriously inadequate to treat sewage from two major campgrounds and the park headquarters area. During the late summer and fall, the natural flows in East Waddel Creek are low and the potential for contamination of the creek is high. The project should be approved.

(b) Torrey Pines State Reserve—construction for erosion control \$304,450

DEPARTMENT OF PARKS AND RECREATION—CAPITAL OUTLAY—Continued

We recommend a reduction of \$3,000 and approval of this project in the reduced amount of \$301,450.

Torrey Pines State Reserve is located on the coast of San Diego County, approximately 15 miles north of the City of San Diego. The northern portion of Torrey Pines State Reserve is included within a 280-acre watershed. A portion of this watershed, which is outside of state ownership, is occupied by streets, a paved school yard and a residential subdivision. The drainage from these state lands and the developed areas descends through the state reserve. During the winter, storm waters erode a large gulley on state-owned lands. The City of San Diego contributed to the erosion by placing a water main and a sewer main in the existing natural channel, before the state acquired the property. These mains have been exposed by erosion during major storms. If broken, they would cause extensive damage.

In order to carry the storm waters to the ocean and prevent severe erosion of state park lands, the department is requesting \$304,450 for construction of an open drainage canal approximately 1,760 feet long. Item 530(f), Budget Act of 1980, appropriated \$46,850 for working drawings for this project.

We recommend approval of this project. The drainage channel is needed and the department's design appears to be reasonable. We also suggest that the department seek reimbursement from the City of San Diego for a portion of the project costs.

The State Architect's estimate of October 23, 1980, is for \$301,450. Therefore, \$3,000 can be removed from the request.

(c) Silver Strand State Beach—working drawings and construction for storm damage repair..... \$700,000

We withhold recommendation, pending completion of cost estimates for this project.

Silver Strand State Beach is on the coast of San Diego County, approximately 4 miles south of the City of Coronado. This beach has received severe damage from a series of storms, the last of which occurred during the winter of 1980. Three combination restroom and dressing room buildings have been closed for two years due to prior damage, and a fourth combination building was destroyed by ocean waves last winter. Item 532(b), Budget Act of 1980, appropriated \$453,878 for phase 1 repairs to this beach.

After an October 1980 review of the project, the department decided that the combination restroom and dressing room buildings on the beach should be demolished, rather than repaired, and that new buildings should be constructed adjacent to the service road where they would be removed from wave damage. The department is requesting \$700,000 for both working drawings and construction of new combination buildings and utilities and demolition of the existing buildings in order to expedite the project. In addition, the project provides for sheet piling around the headquarters plaza area to lessen erosion during storms and high tide periods.

The Office of State Architect has not completed its design analysis and cost-estimate for this project. We withhold recommendation, pending completion of the cost-estimate.

(d) Folsom Lake State Recreational Area—construction of camping and day-use facilities at Beale's Point \$2,949,775

We recommend approval.

Folsom Lake State Recreation Area is located in Sacramento County, approximately 22 miles northeast of downtown Sacramento. This is one of the most popular recreation areas in the state parks system. Most of the recreation use is concentrated in the Granite Bay area because it is the only area which has adequate day-use, beach and boating facilities.

In recognition of the need for additional facilities at this unit, the Legislature appropriated \$54,000, under Item 585 (f), Budget Act of 1980, to prepare working drawings for additional beach, day-use and camping facilities at Beale's Point. The working drawings are to provide for construction of a 28-acre swimming beach, a 500-car parking area, 130 picnic sites, an improved entrance road, beach sanitary facilities, concession facilities and utilities. The project also includes rehabilitation of an existing campground and construction of 19 new camp sites.

We recommend approval of the department's request for construction of this project. Additional day-use and camping facilities are needed at Folsom Lake State Park and the department's design appears to be reasonable.

(e) Malibu Creek State Park—construction of camping and day-use facilities \$1,858,830

We recommend approval.

Malibu Creek State Park is located in the Santa Monica Mountains, approximately 5 miles south of the City of Thousand Oaks.

Phase 1 construction of an entrance road and day-use facilities, costing \$2.4 million, is currently in process. Item 578(k), Budget Act of 1980 appropriated \$210,420 to prepare working drawings for phase 2 camping facilities. The phase 2 facilities consist of a 60-unit family-type campground, a 90-person primitive group camp, a campfire center, a trailer sanitation station, a concrete bridge, sanitary facilities, an entrance kiosk, underground utilities, landscaping and irrigation.

We recommend approval of the phase 2 camping facilities. Development of day-use and camping facilities is critically needed at this urban park in the Santa Monica Mountains.

(f) Angel Island State Park—construction of day-use facilities.... \$1,800,000

We recommend a reduction of \$518,211 and approval of this project in the reduced amount of \$1,281,789.

Angel Island State Park is located in San Francisco Bay, immediately north of the City of San Francisco. Its main features are day use facilities and historic military buildings. Because of the need to improve day-use facilities and renovate certain historic buildings at Angel Island State Park, the Legislature, under Item 578(c), Budget Act of 1980, appropriated \$79,800 for working drawings of new day-use facilities, ground improvements, and renovation of existing historic buildings at Ayala Cove, North Garrison, East Garrison, and West Garrison. Specifically, the project calls for development of new day-use facilities, renovation of historic buildings, site preparation and surface drainage, sanitary facilities, water systems, electrical and telephone systems, landscaping and irrigation, and interpretive displays.

The State Architect's revised cost-estimate, dated December 18, 1980, reflects minor changes in project scope and reduces the cost by \$518,211. We recommend a reduction of \$518,211 and approval of the project in the amount of \$1,281,789. Construction of the new day-use facilities, extension of utilities and renovation of the historic buildings is needed at this large urban park unit.

(g) Hearst San Simeon State Historic Monument—working drawings for water system \$77,000

We withhold recommendation, pending completion of cost-estimates for this project.

Hearst San Simeon State Historic Monument is located on the Coast of San Luis Obispo County, approximately 35 miles northwest of the City of San Luis Obispo. Approximately 5,000 person per day visit Hearst Castle during peak periods. Their water use is estimated to be at the rate of 80,000 gallons per day. This water, which comes from three springs, a collection system and reservoirs on the Hearst Corporation's property, is four times the daily amount of 20,000 gallons per day allocated to the state under the gift deed for the property which was executed between the

DEPARTMENT OF PARKS AND RECREATION—CAPITAL OUTLAY—Continued

Hearst Corporation and the state. Although the Hearst Corporation has not asked the Department of Parks and Recreation to reduce its water consumption, the corporation has expansion plans at the Hearst Ranch and has cautioned the state that its use of water may have to be reduced in the future. This would force a reduction in visitors to the Castle and implementation of stringent water conservation measures.

Based on an estimate that Hearst Castle peak visitation may increase to 6,000 people per day and water usage may increase to 100,000 gallons daily during peak periods, the department provided \$35,000 to the Department of Water Resources to investigate additional water sources on the Hearst Corporation property. The Department of Water Resources report, which was completed on September 1, 1980, indicates that a new supply of approximately 100,000 gallons per day can be developed at a cost of approximately \$538,750. Specifically, this project would consist of: (1) reworking the catchment areas of existing springs to provide more water, (2) drilling one or two horizontal wells below the Chrisholm and Phelan Springs and connecting them to existing pipelines, (3) constructing an impoundment reservoir on Oak Knoll Creek, and (4) implementing water conservations measures.

The Department of Parks and Recreation is requesting \$77,000 to prepare working drawings for these water system improvements. A request for construction funds is planned in the department's 1982-83 budget following execution of an agreement with the Hearst Corporation on the sharing of costs for development of new water supplies.

We agree that joint efforts must be made with the Hearst Corporation for development of additional water capacity for Hearst San Simeon State Monument. However, we withhold recommendation, pending completion of a final design analysis and cost-estimates by the Office of State Architect.

(h) Hearst San Simeon State Historic Monument—rehabilitation and repair \$505,050

We recommend augmentation by \$67,500 and approval in the increased amount of \$572,550.

This request for \$505,050 is for an ongoing program of artifact restoration, and building stabilization and repairs at Hearst Castle. Specifically, this request provides for (1) restoration and waterproofing of building exteriors, (2) installation of burglar alarms, smoke detectors and terrace lighting, (3) repair of walks and terraces, (4) exterior and interior painting, (5) restoration of the "tea terrace," (6) an engineering study of retaining walls for the "C terrace," and (7) restoration of art objects such as tapestries, paintings, carvings, sculpture and furniture which have deteriorated due to exposure to light, temperature and humidity.

Based on the State Architect's estimate of December 2, 1980 for this work, we recommend the project be increased by \$67,500 and approved in the increased amount of \$572,550.

(i) Hearst San Simeon Historic Monument—road repair \$500,000

We recommend an augmentation of \$150,900 and approval in the increased amount of \$650,900.

The lower portion of the access road to Hearst Castle was constructed in 1959. It is a two lane asphalt/concrete road on a 100 foot easement. The upper portion, which was constructed in 1964, is two way, with separated lanes on 60 foot easements. At the time the road was built, only automobile traffic was expected. Since then, there has been a shift from cars to heavy buses and service vehicles. The number of buses which take tour groups up to the Castle has increased through the years. The added traffic, coupled with poor drainage and road slip-outs, has

caused severe deterioration of the road in many places. A program of routine repairs has been underway for several years, but this work cannot correct the major problems.

Because the Hearst Castle has 1 million visitors per year, and the road problems often restrict bus traffic, the department is requesting \$500,000 for phase 1 road repairs. This request is based on a study by Caltrans to determine the extent of rehabilitation needed for the Hearst Castle road. The study indicates that major work must be accomplished, which will cost approximately \$1,507,000.

Based on a State Architect's cost-estimate of October 16, 1980, we recommend augmentation by \$150,900 and approval of this project in the amount of \$650,900. Permanent road repairs are needed for Hearst Castle which is expected to earn revenues of approximately \$5.7 million in the budget year.

(j) Columbia State Historic Park—construction of theatre and saloon \$500,000

We recommend approval.

Columbia State Historic Park is located in Tuolumne County approximately 5 miles north of the City of Sonora.

The Legislature has appropriated a total of \$687,057 for the first phase of this project which includes restoring the historic Fallon Hotel and Theatre, the project is estimated to ultimately cost \$3.5 million.

The Fallon Hotel, which is listed on the National Register of Historic Places, has deteriorated and is structurally unsafe. The roof has caved in and rain water was destroying the interior of the building until a temporary roof was constructed. The theatre, which is presently used by local groups and the University of Pacific Theatre Arts Department, is in need of extensive rehabilitation and restoration.

The department is requesting \$500,000 for phase 2 restoration work. Specifically, the phase 2 work consists of structural stabilization and the installation of new utility systems, fire alarm and sprinkler systems, heating, ventilation and air conditioning, and electrical and sound systems in the theatre. We recommend approval.

(k) Old Town San Diego State Historic Park—working drawings for reconstruction \$50,000

We withhold recommendation on this project, pending completion of a cost estimate for the project.

The 12-acre Old Town San Diego State Historic Park is located adjacent to Interstate 5 in the City of San Diego.

This request is for \$50,000 to prepare working drawings of the Machado-Wrightington, Light-Freeman, and U.S. House adobes which the department plans to reconstruct in Old Town San Diego. These adobes will be constructed end to end with common end walls. They will be operated and maintained by concessionaires.

The department's preliminary design for these adobes appears to be reasonable. However, we withhold recommendation, pending completion of cost estimates by the State Architect.

(l) Old Sacramento State Historic Park—working drawings for 49er Scene \$80,000

We withhold recommendation, pending receipt of additional information on this project and completion of the cost-estimate.

Old Town Sacramento State Historic Park is located on the east bank of the Sacramento River in downtown Sacramento. The department is requesting \$80,000 to prepare working drawing for reconstruction of 11 historic structures on the half block known as the "49er Scene" in Old Town Sacramento. The site of the "49er Scene" is presently being filled with earth and landscaped using \$524,100 appropriated under Item 578(1), Budget Act of 1980.

We withhold recommendations because (1) sufficient information about this

DEPARTMENT OF PARKS AND RECREATION—CAPITAL OUTLAY—Continued

project has not been provided by the department, and (2) cost-estimates have not been completed by the State Architect.

(m) Bale Grist Mill—construction of access road and parking lot **\$515,000**
We recommend approval.

Bale Grist Mill State Historic Park is located in the Napa Valley approximately 5 miles northwest of the town of St. Helena.

The Legislature has previously appropriated \$469,669 for phase 1 reconstruction of the historic mill and for phase 2 working drawings for relocation of the entrance road and development of a new parking area. This is a cooperative project between the Department of Parks and Recreation and the California State Parks Foundation. The department is responsible for restoration of the mill and construction of day-use and parking facilities. The State Parks Foundation intends to finance the installation of machinery to make the mill fully operative.

We recommend approval. The new entrance will provide adequate space for left turn and merging traffic lanes on Highway 29, and the expanded parking is needed for buses and automobiles.

(n) Minor Projects..... **\$2,300,000**
We recommend a reduction of \$95,000 and approval in the amount of \$2,205,000.

This request is for \$2.3 million for minor capital outlay projects (\$100,000 or less) throughout the state park system. Specifically, this request provides for (1) replacement of expendable items such as park furniture and chemical toilet units (2) repairs to water, electrical and sewer systems, (3) erosion control, boundary fencing and resource management, (4) minor restoration of historic structures, and (5) construction of lifeguard towers, bridges, minor shop buildings and restroom facilities.

We recommend approval of 50 of the 51 minor capital outlay projects. We recommend deletion of \$95,000 for replacement of underground electrical service to four buildings at Silver Strand State Beach in San Diego County. Subsequent to formulating this minor capital outlay request, the department decided to demolish the existing combination rest room and dressing room buildings, which have been heavily damaged by storms, and to construct new buildings which are removed from the threat of storm damage. To accomplish this work, the department is requesting \$700,000 under (c) of this budget item. This cancels the need for the minor capital outlay project.

(o) Chino Hills—acquisition..... **\$2,000,000**
We withhold recommendation, pending completion of the appraisal for this property.

On April 1, 1979, the Department of Parks and Recreation completed a feasibility study of the Chino Hills for acquisition and development of public recreation and open-space lands. The Chino Hills study area includes about 50,000 acres of open-space located in the four adjacent corners of Los Angeles, San Bernardino, Orange and Riverside Counties. This area is within a 40 mile radius of approximately 9.2 million people.

The Chino Hills are characterized by a complex system of winding canyons and gentle to steep rolling hills. The land form provides many panoramic views and ridgeline vistas. Vegetation consists of oak and walnut studded grasslands, chaparral and riparian woodlands. The hills support some heavily forested areas of California walnut. There are numerous wildlife habitats throughout the canyons. Underground water supply is deficient in the Chino Hills, with only a few small capacity wells. Watershed runoff rates are relatively high. Currently, the lands are used for power transmission lines, water collection and storage, livestock grazing, limited oil extraction operations and waste disposal sites. The property borders on the west with the Carbon Canyon Park and on the south with the Yorba and

Featherly Regional Parks.

The department's study concluded that approximately 12,500 acres in the Chino Hills should be acquired for development as a large state urban park. Priority one was given to acquisition of 4,500 acres in Telegraph Canyon, priority two was given to 4,700 acres in Aliso Canyon, and priority three was given to 3,300 acres in the Upper Tonner Canyon. The cost of acquiring these properties was estimated to be approximately \$57 million.

Chapter 809, Statutes of 1980, appropriated \$5 million from the State Parks and Recreation Fund for phase 1 acquisition of 935 acres in Telegraph Canyon. The department is now requesting \$2 million to augment the phase I project by 439 acres.

Our analysis indicates that the 439-acre acquisition would be a logical addition to the phase 1 project. However, we withhold recommendation because the department has not completed an appraisal, as required by Chapter 1080, Statutes of 1979. The department indicates that the required appraisal will be completed before budget hearings.

We believe the department should consider the possibility of acquiring approximately 157 acres at the east end of Aliso Canyon and on the south bank of the Santa Ana River in Riverside County. This property would provide access to the Chino Hills from Riverside County and allow for development of day-use and camping facilities. It also appears to be under the threat of subdivision development.

(p) In-Holding purchases \$500,000

We recommend approval.

Many state park units surround small parcels of land that remain in private ownership. These parcels are generally small and are referred to as "in-holdings". The department has not been required to bring acquisitions of this type to the Legislature for approval. We recommend approval of this request.

(q) Opportunity Purchases \$500,000

We recommend a reduction of \$250,000 and approval of this request in the reduced amount of \$250,000.

On occasion, small properties which are contiguous to state park units become available to the state. In order to take advantage of such opportunities and to prevent incompatible development of such properties, the Legislature normally provides the department with an appropriation which permits proceeding quickly with opportunity purchases.

We recommend that money for such purchases continue to be made available. However, the request for \$500,000 is excessive and should be reduced to \$250,000 which is the amount normally provided for this purpose. If major acquisitions are needed, the department should request them as specific projects in the Budget Bill.

(r) Acquisition Costs \$150,000

We recommend approval.

The department is requesting \$150,000 to cover costs incurred by the Real Estate Services Division of the Department of General Services to prepare budget estimates for proposed acquisition projects and for processing gifts to the state parks system. We recommend approval.

**DEPARTMENT OF PARKS AND RECREATION—CAPITAL
OUTLAY**

Items 379-301-728 from the Rec-
reation and Fish and Wildlife
Enhancement Bond Fund

Budget p. R 145

Requested 1981-82	\$8,071
Recommended approval	8,071

ANALYSIS AND RECOMMENDATIONS

We recommend approval.

This request is a reimbursement to the department's support Items 379-001-001 for preliminary planning and project management of capital outlay acquisition and development projects which are financed from the Recreation and Fish and Wildlife Enhancement Bond Fund.

**DEPARTMENT OF PARKS AND RECREATION—CAPITAL
OUTLAY**

Item 379-301-732 from the State
Beach, Park, Recreational and
Historical Facilities Bond Act
of 1964.

Budget p. R 145

Requested 1981-82	\$13,669
Recommended approval	13,669

ANALYSIS AND RECOMMENDATIONS

We recommend approval.

This request is a reimbursement to the department's support Item 379-001-001 for preliminary planning and project management of capital outlay acquisition projects which are financed from the 1964 Park Bond Fund.

DEPARTMENT OF PARKS AND RECREATION—CAPITAL OUTLAY

Item 379-301-733 from the State,
Beach, Park, Recreational and
Historical Facilities Fund of
1974

Budget p. R 145

Requested 1981-82	\$1,096,392
Recommended approval	1,096,392

ANALYSIS AND RECOMMENDATIONS

We recommend approval.

This request is a reimbursement to the department's support Item 379-001-001 for preliminary planning and project management of capital outlay acquisition and development projects which are financed from the 1974 Park Bond Fund.

DEPARTMENT OF PARKS AND RECREATION—CAPITAL OUTLAY

Item 379-301-742 from the State,
Urban, and Coastal Park Fund

Budget p. R 145

Requested 1981-82	\$541,686
Recommended approval	541,686

ANALYSIS AND RECOMMENDATIONS

We recommend approval.

This request is for reimbursement to the department's support Item 379-001-001 for preliminary planning and project management of capital outlay acquisition and development projects which are financed from the 1976 Park Bond Fund.

DEPARTMENT OF PARKS AND RECREATION—CAPITAL OUTLAY

Item 379-301-890 from the Fed-
eral Trust Fund

Budget p. R 145

Requested 1981-82	\$784,375
Recommendation pending	784,375

ANALYSIS AND RECOMMENDATIONS

We withhold recommendation.

This request is for \$784,375 to be transferred to the State Park Contingent Fund for two acquisition projects proposed under Item 379-301-952.

Consistent with our recommendation on Item 379-301-952, we withhold recommendation on this transfer.

DEPARTMENT OF PARKS AND RECREATION—CAPITAL OUTLAY

Item 379-301-952 from the State
Park Contingent Fund

Budget p. R 145

Requested 1981-82	(\$784,375)
Recommendation pending	(784,375)

ANALYSIS AND RECOMMENDATIONS

This item would appropriate federal grant funds to pay half the costs of purchasing two properties which the Save-the-Redwoods League has acquired. The League will gift the other half interest to the state.

(a) *Julia Pfeiffer Burns State Park—acquisition* **\$60,000**

We withhold recommending, pending completion of the appraisal for the property.

Julia Pfeiffer Burns State Park is located on the Pacific Coast about 40 miles south of the City of Monterey. The park contains approximately 1,904 acres of coastal mountain land, having heavy stands of redwoods and mixed conifers. The park is relatively undeveloped, with only four overnight camp sites, a few picnic sites, limited parking facilities, and several miles of trails. An old smuggler's tunnel has been rehabilitated to give SCUBA divers access to Partington Cove.

The proposed acquisition would add approximately 19 acres along the northern boundary of the park. The Save-the-Redwoods League has purchased the land and is now holding the property for the state. The League proposes to deed the parcel to the state for one-half its original acquisition cost of \$120,000.

This 19-acre parcel, is heavily forested with redwoods, and appears to be a logical addition to the park. However, we withhold recommendation pending completion of an appraisal for this project, as required by Chapter 1080, Statutes of 1979.

(b) *Wilder Ranch State Park—acquisition* **\$724,375**

We withhold recommendation, pending completion of an appraisal for the property.

Wilder Ranch State Park is located on the Pacific Coast approximately five miles west of the City of Santa Cruz. This park, which consists of approximately 3,200 acres, has approximately three miles of broad ocean terrace with pocket beaches on the ocean side of Highway 1. The terrace areas are leased by the Department of General Services for the production of artichokes and brussel sprouts. The areas of the park which are upland from Highway 1, are coastal mountain and canyon lands with old growth redwood forest, conifer forest, and some quarried areas. The ranch center, which contains several historic buildings, is open to the public for limited use.

The proposed acquisition would add 148 acres of old growth redwood and Douglas fir to the upland portion of the park. However, the property would not be contiguous to upland park properties, but would be contiguous to several hundred acres of coastal mountain and canyon property which is owned by the State Lands Commission and is under consideration for transfer to Wilder Ranch State Park. The Save-the-Redwoods League has purchased and is now holding the lands for the state. The League proposes to deed the property to the state for one-half of its original purchase cost of \$1,448,750.

State acquisition of the property would assure preservation of the old growth redwoods, and would make a logical addition to the property owned by State Lands Commission if it is transferred to Wilder Ranch State Park. However, we withhold recommendation, pending completion of an appraisal on the property as required by Chapter 1080, Statutes of 1979.

(c) *Amount Payable from Federal Trust Fund (Item 379-301-890) — \$784,375*
We withhold recommendation.

This reimbursement from the Federal Trust Fund would pay the state's one-half share of the acquisition costs for the proposed Julia Pfeiffer Burns State Park and Wilder Ranch acquisition projects. Consistent with our recommendations on those projects, we withhold recommendation on the reimbursement.

DEPARTMENT OF PARKS AND RECREATION—REAPPROPRIATION

Item 379-490 from the General
Fund and various special
funds

ANALYSIS AND RECOMMENDATIONS

We withhold recommendation. Additional information is needed for evaluation of the requested reappropriations for local assistance and capital outlay projects.

This item requests reappropriations for capital outlay acquisition and development projects from the following sources:

• General Fund	1 project
• State Account for Capital Outlay, General Fund	1 project
• Off-Highway Vehicle fund	5 projects
• State Parks and Recreation Fund	29 projects
• Recreation and Fish and Wildlife Enhancement Fund	3 projects
• State Beach, Park, Recreational and Historical Facilities Bond Fund of 1964	4 projects
• State Beach, Park, Recreational and Historical Facilities Bond Fund of 1974	31 projects
• State, Urban, and Coastal Park Bond Fund	17 projects
• State Park Contingent Fund	1 project
Total	88 projects

We withhold recommendation on these reappropriations, pending receipt of additional information from the department.

DEPARTMENT OF PARKS AND RECREATION—REVERSIONS

Items 379-495 from the General
Fund and various special
funds

ANALYSIS AND RECOMMENDATIONS

We withhold recommendation. Additional information is needed for evaluation of the requested reversions for capital outlay projects.

This item proposes reversions for capital outlay acquisition and development, and local assistance grant projects from the following sources:

• General Fund	1 project
• Bagley Conservation Fund	1 project
• Off-Highway Vehicle Fund	3 projects
• State Parks and Recreation Fund	17 projects
• Recreation and Fish and Wildlife Enhancement Fund	1 project
• State Beach, Park, Recreational and Historical Facilities Bond Fund of 1964	2 projects

DEPARTMENT OF PARKS AND RECREATION—REVERSIONS—Continued

• State Beach, Park, Recreational and Historical Facilities Bond Fund of 1974	13 projects
• State, Urban, and Coastal Park Bond Fund	17 projects
• State Park Contingent Fund	3 projects
Total	58 projects

We withhold recommendation on these reversions pending receipt of additional information from the department.

Resources Agency**CALIFORNIA EXPOSITION AND STATE FAIR**

Item 380 from the General
Fund

Budget p. R 168

Requested 1981-82	\$8,740,453
Estimated 1980-81	8,459,233
Actual 1979-80	7,848,340
Requested increase (excluding amount for salary increases) \$281,220 (+3.3 percent)	
Total recommended reduction	Pending

1981-82 FUNDING BY ITEM AND SOURCE

Item	Description	Fund	Amount
380-001-001—Support		General	\$3,240,453
380-011-001—Appropriation of Revenues		General	5,500,000
Total			\$8,740,453

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

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1. Revised Revenue and Expenditure Estimates. Withhold recommendation, pending receipt of a detailed, revised analysis of revenues and expenditures.

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GENERAL PROGRAM STATEMENT

The California Exposition and State Fair (Cal-Expo) began operations at its present site in Sacramento during June 1968. The construction and initial operation of the exposition facility was managed by a nonprofit corporation under the general supervision of the California Exposition and Fair Executive Committee within the Department of General Services.

In 1973, Chapter 1152 abolished the Executive Committee and transferred all control over Cal-Expo to the Department of Parks and Recreation. At the same time, an appreciable increase in funding was provided, the exposition concept was abandoned and the more traditional state fair approach was once again adopted.

Pursuant to language in the Budget Act of 1978, a task force was appointed to formulate a long-range plan for Cal-Expo. The Master Plan was presented to the Legislature in April 1980. This plan recommended an organizational change and emphasis on agricultural themes.

Chapter 1148, Statutes of 1980 (AB 3173), established Cal-Expo as a separate state entity governed by an 11-member board of directors. The board is to serve as the policymaking body for Cal-Expo, and will have full responsibility for the

management and operation of its facilities. Chapter 1148 also states legislative intent that the board work towards fiscal independence from state General Fund support.

ANALYSIS AND RECOMMENDATIONS

The budget proposes two appropriations from the General Fund totaling \$8,740,453 for support of Cal-Expo in 1981-82. This is an increase of \$281,220, or 3.3 percent, over estimated current-year expenditures. The budget also includes a continuing appropriation of \$265,000 from the Fair and Exposition Fund for support of Cal-Expo.

Item 380-001-001 appropriates the state's General Fund subsidy of Cal-Expo's operations, which is equal to the difference between operating revenues at Cal-Expo and total budgeted costs. The budget requests \$3,240,453 for this purpose in 1981-82, which is a decrease of \$304,220, or 8.6 percent, from the estimated current-year expenditures. The subsidy will increase by the amount of any salary or staff benefit increases approved for the budget year.

Item 380-011-001 appropriates the operating revenues that Cal-Expo expects to receive in the budget year. The amount proposed—\$5,500,000—is \$920,292, or 20.1 percent, above appropriated current-year revenues and \$558,748, or 11.3 percent, above total estimated current-year revenues.

Revised Revenues and Expenditures

We withhold recommendation on the proposed budget for Cal-Expo, pending receipt of a revised, detailed analysis of revenues and expenditures.

Our analysis indicates that the estimates in the budget do not provide an accurate assessment of Cal-Expo's likely revenues and expenditures during the budget year, for three reasons.

First, staff for Cal-Expo have indicated that there are significant errors in the amount projected as operating revenue. These problems and inaccuracies in the revenue estimate should be resolved.

Second, the proposed budget request is based on the old management structure, wherein Cal-Expo was part of the Department of Parks and Recreation. As noted above, Chapter 1148, Statutes of 1980, established Cal-Expo as a separate entity, effective January 1, 1981. The 11-member board of directors created by Chapter 1148 has not had a chance to review the proposed budget, nor has it made any decisions on the permanent level of staffing or possible program changes. The budget priorities of the new board may be quite different from those reflected in the Governor's Budget.

Third, while the proposed reduction in the General Fund subsidy is a step in the desired direction of fiscal independence for Cal-Expo, it is not clear from available information that the major increase in operating revenue anticipated in the budget is realistic.

Accordingly, we believe the new board should resubmit its budget and provide a revised, detailed analysis of revenues and expenditures prior to budget hearings. Pending receipt of this information, we withhold recommendation on the proposed budget.

CALIFORNIA EXPOSITION AND STATE FAIR—CAPITAL OUTLAY

Item 380-301 from the Special
Account for Capital Outlay
General Fund

Budget p. R 170

Requested 1981-82	\$520,000
Recommended approval	520,000

ANALYSIS AND RECOMMENDATIONS

We recommend approval.

The budget proposes \$520,000 from the Special Account for Capital Outlay in the General Fund for minor capital outlay at Cal-Expo. The requested funds would be used primarily to complete projects previously reviewed and approved by the Legislature, or to make improvements necessary for fire protection and public safety. The individual projects are:

1. Floor covering and door hardware, exhibit building A	\$75,000
2. Floor covering and door hardware, exhibit building B	75,000
3. Completion of tote board wiring	75,000
4. Activation of well #3	100,000
5. Back-flushing of wells #1, #2, and #4	50,000
6. Installation of reusable fire hoses; replacement of hose cabinets	75,000
7. Installation of fire hydrant and fire call box	35,000
8. Replacement of expansion joint seals in building roof	35,000
Total	\$520,000

Our analysis indicates the proposed amount is justified.

Resources Agency

SANTA MONICA MOUNTAINS CONSERVANCY

Item 381 from the General
Fund

Budget p. R 171

Requested 1981-82	\$315,219
Estimated 1980-81	300,647
Actual 1979-80	100,000
Requested increase (excluding amount for salary increases) \$14,572 (+5.0 percent)	
Total recommended reduction in reimbursements	(—\$351,200)

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

*Analysis
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1. *Parklands Fund. Delete reimbursement of \$351,200 and 4.5 positions in Item 381-001-001 because the appropriation is not authorized by the Parklands Act of 1980.*

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GENERAL PROGRAM STATEMENT

Chapter 1087, Statutes of 1979, established the Santa Monica Mountains Conservancy, effective January 1, 1980, with responsibility for implementing the land acquisition program prepared by its predecessor, the Santa Monica Mountains Comprehensive Planning Commission.

The conservancy is authorized to purchase lands and provide grants to state and local agencies to further the purposes of the federal Santa Monica National Recreation Area and the Santa Monica Mountains Comprehensive Plan. Specifically, the conservancy is authorized to: (1) acquire and consolidate subdivided land, (2) create buffer zones surrounding federal and state park sites, and (3) restore natural resource areas in a manner similar to the State Coastal Conservancy. The conservancy consists of a six-member board of state agency representatives and a twelve-member advisory committee representing local agencies in the Santa Monica Mountains. Public members are also appointed to both bodies.

Unless extended by the Legislature, the Santa Monica Mountains Conservancy will terminate on January 1, 1984.

ANALYSIS AND RECOMMENDATIONS

The budget proposes an appropriation of \$315,219 from the General Fund for support of the Santa Monica Mountains Conservancy. This is an increase of \$14,572, or 5.0 percent, above estimated current-year expenditures. This amount will increase by the amount of any salary or staff benefit increases approved for the budget year.

Total program expenditures, including reimbursements, are projected at \$666,419. This is \$365,772, or 122 percent, above estimated current-year expenditures. The increase reflects a request for 4.5 new positions and additional consultant services for project planning work on the conservancy's proposed capital outlay program funded by the Parklands Fund of 1980. To fund total expenditures of \$666,419, the budget proposes to transfer \$351,200 from the Parklands Fund in Item 381-301-721 to this item where it would be scheduled as a reimbursement to the Santa Monica Mountains Conservancy.

Administrative Support from Parklands Fund Not Authorized

We recommend deletion of \$351,200 in reimbursements and 4.5 positions in Item 381-001-001 because the appropriation is not authorized by statute.

The voters approved the California Parklands Act of 1980 (Chapter 250, Statutes of 1980) in the November 1980 general election. The act contains up to \$5 million for disbursement in the Santa Monica Mountains zone for unspecified projects. The funds will be disbursed as part of a \$30 million coastal resources grant program administered by the State Coastal Conservancy under the guidelines specified in the Bond Act. The intended purpose of the funds and the procedures to be following in disbursing them has been subject to debate.

An opinion issued by the Legislative Counsel (Opinion #00012) concluded that the \$30 million allocation for the grant program (which includes the \$5 million allocation to the Santa Monica Mountains zone) is to be disbursed *solely by the State Coastal Conservancy* when appropriated by the Legislature. Furthermore, the opinion states that "nowhere in the act is provision made for the reimbursement of administrative expenses which may be incurred by the California Coastal Commission, BCDC or the Mountains Conservancy as a result of their involvement in the grant program." Under the provisions of the act, support funds are only available to the Coastal Conservancy for the administration of the program.

The budget requests \$4,000,000 of the \$5,000,000 authorized for the Santa Monica Mountains to fund a capital outlay program for the Santa Monica Mountains Conservancy (Item 381-301-721). The remaining \$1,000,000 is in the State Coastal

SANTA MONICA MOUNTAINS CONSERVANCY—Continued

Conservancy's budget (Item 376-101-721) for expenditure by the Coastal Conservancy. The \$4,000,000 requested by the Santa Monica Mountains Conservancy contains \$351,200 which is proposed for transfer to Item 381-001-001 to finance 4.5 new positions in order to administer the proposed capital outlay program of the Santa Monica Mountains Conservancy.

Based on the Legislative Counsel's opinion, the Santa Monica Mountains Conservancy is not authorized to receive an appropriation from the Parklands Fund for either support or capital outlay purposes. Only the State Coastal Conservancy is authorized to receive such an appropriation.

Therefore, based on the Legislative Counsel opinion, we recommend deletion of 4.5 positions and \$351,200 proposed as a reimbursement from the Parklands Fund in 1981-82.

SANTA MONICA MOUNTAINS CONSERVANCY—CAPITAL OUTLAY

Item 381-301 from the Parklands
Fund of 1980

Budget p. R 172

Requested 1981-82	\$4,000,000
Recommended reduction	4,000,000

ANALYSIS AND RECOMMENDATIONS

We recommend deletion of \$4 million in Item 381-301-721 because the appropriation is not authorized by the Parklands Act of 1980.

The budget proposes a \$4 million appropriation from the Parklands Fund of 1980 for project planning and acquisition work to be undertaken by the Santa Monica Mountains Conservancy in 1981-82. Of this \$4 million, \$351,200 is proposed to be transferred to Item 381-001-001 to fund 4.5 new positions and the project planning cost of implementing the acquisition program.

As we discussed in our analysis of Item 381-001-001, a recent Legislative Counsel opinion (#00012) concluded that only the State Coastal Conservancy is authorized under the Parklands Act of 1980 to disburse Parklands Funds in the Santa Monica Mountains zone. Based on the opinion of the Legislative Counsel, we recommend that the \$4 million for capital outlay be deleted.

Resources Agency
SAN FRANCISCO BAY CONSERVATION AND
DEVELOPMENT COMMISSION

Item 382 from the General
Fund

Budget p. R 173

Requested 1981-82	\$814,708
Estimated 1980-81	749,898
Actual 1979-80	623,103
Requested increase (excluding amount for salary increases) \$64,810 (+8.6 percent)	
Total recommended reduction in reimbursements	(\$25,000)

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

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1. Federal Reimbursements. Recommend \$25,000 reduction in federal reimbursements to eliminate funding for amicus briefs. 638

GENERAL PROGRAM STATEMENT

The San Francisco Bay Conservation and Development Commission (BCDC) was created by the Legislature in 1965. The commission consists of 27 members representing citizens of the Bay Area and all levels of government. BCDC is charged with implementing and updating the San Francisco Bay Plan.

The commission has regulatory authority over the following:

1. All filling and dredging activities on the San Francisco Bay, including San Pablo and Suisun Bays, specified sloughs, creeks and tributaries;
2. Changes in use of salt ponds and other "managed wetlands" adjacent to the bay; and
3. Significant changes in land use within a 100-foot strip inland from the bay.

ANALYSIS AND RECOMMENDATIONS

The budget proposes an appropriation of \$814,708 from the General Fund for support of commission activities in 1981-82. This is an increase of \$64,810, or 8.6 percent, over estimated current year expenditures, primarily because of increases in staff benefits and rent. The requested amount will increase by the amount of any additional salary or staff benefit increase approved for the budget year.

In addition to \$814,708 in state funds, the commission proposes to spend \$422,038 in federal reimbursements, bringing total expenditures to \$1,236,746 in 1981-82. This amount is \$62,655, or 5.3 percent, more than estimated current year expenditures.

Changes in Reimbursements

For the past several years, BCDC has received approximately \$310,000 annually in federal funds from the U.S. Office of Coastal Zone Management (OCZM) for support of its operation. The funds are initially received by the California Coastal Commission, which is the designated recipient of all federal funds from OCZM. Consequently, the money is shown as a reimbursement from the Coastal Commission in BCDC's budget.

Based on BCDC's grant application to OCZM, the budget shows an increase in reimbursements of \$112,038 for 1981-82. The increase consists of: (1) \$25,000 for additional legal services, (2) \$29,452 for one new position to improve the permit

SAN FRANCISCO BAY CONSERVATION AND DEVELOPMENT COMMISSION—Continued

enforcement program, (3) \$35,548 for updating BCDC's information system, and (4) \$22,038 for a compensation adjustment to federally funded positions. It is not certain that all of these federal funds will be received. Our analysis indicates that, with the exception of the request for additional legal services, these program changes are reasonable.

Reimbursement for Amicus Briefs Not Appropriate

We recommend a reduction of \$25,000 in federal reimbursements to eliminate funds for amicus briefs.

Since 1965, BCDC has participated in approximately seven amicus ("friends of the court") appeals filed by the Attorney General in land use cases because of the potential effect of decisions in these cases on BCDC's ability to carry out its statutory responsibilities.

For 1981-82, the budget requests \$25,000 in federal reimbursements to contract for outside legal assistance in filing an unspecified number of amicus briefs. This request is in addition to (a) the amount budgeted for legal services to be provided BCDC by the Attorney General, and for (b) \$400,000 budgeted in the Governor's office for unspecified contracted legal services.

The commission justifies its request for the \$25,000 on the basis that in the current year, the Attorney General declined to file an amicus brief in its behalf for a land use case, *San Diego Gas and Electric Company v. City of San Diego*, which was before the U.S. Supreme Court. In this instance, the Governor's office provided approximately \$15,000 for contracted legal services to prepare the brief in behalf of BCDC, the California Coastal Commission, and the California Tahoe Regional Planning Agency. The Governor's office advised BCDC that further funding for amicus briefs during the current year is unlikely because a large portion of the \$400,000 appropriated by Item 26.1 has already been committed to litigation involving nuclear power plants.

In enacting the 1980 Budget Bill, the Legislature adopted the policy that funds for contracted legal services should be expended by the Governor's Office (Item 26.1), not by individual state agencies. As a result, an appropriation of \$400,000 was added to Item 26.1, subject to the provision that these funds could be expended only upon written certification that the Attorney General declines to furnish requested legal services. The 1981-82 Governor's Budget proposes to continue this policy by requesting a \$400,000 appropriation to the Governor's Office for contracted legal services.

Given the \$400,000 request for contracted legal services, the amount requested for such services in this item is unnecessary. Furthermore, providing funding for contracted legal services to an individual agency would be inconsistent with existing legislative policy. Consequently, we recommend a reduction of \$25,000 in reimbursements.

Legislative Mandates Deleted

In 1979-80 and 1980-81, the state reimbursed participating local agencies from the General Fund for state-mandated costs incurred in preparing a Suisun Marsh Local Protection Program, as required by the Suisun Marsh Preservation Act of 1977. No funds are requested in 1981-82 because the budgeted work has been completed.

Resources Agency
DEPARTMENT OF WATER RESOURCES

Item 386 from the General
Fund and the Energy and Re-
sources Fund

Budget p. R 176

Requested 1981-82	\$25,539,900
Estimated 1980-81	27,283,105
Actual 1979-80	21,015,805
Requested decrease (excluding amount for salary increases) — \$1,743,205 (— 6.4 percent)	
Total recommended reduction	\$908,800
Total recommended pending	\$1,813,500

1981-82 FUNDING BY ITEM AND SOURCE

Item	Description	Fund	Amount
386-001-001—Support		General	\$21,680,900
386-001-188—Water Conservation and Reclamation		Energy and Resources	3,859,000
Total Projects			\$25,539,900
386-101-001—Local Assistance		General	5,000,000

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

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1. Reimbursements. Recommend that reimbursements and expenditures proposed in Item 386-001-001(d) be reduced by \$800,006 to correct a technical error. 642
2. Office of Water Conservation. Withhold recommendation pending receipt of information on current and budget year programs. Recommend adoption of supplemental report language requesting the Department of Water Resources to report on specified activities of the Office of Water Conservation. 644
3. *California Irrigation Management Information Services (CIMIS). Reduce Item 386-001-188 by \$753,800.* Recommend deletion of second year implementation costs of CIMIS program because sufficient carryover is available from the current year program. 646
4. *Demonstration Landscapes. Reduce Item 386-001-188 by \$75,000.* Recommend deletion of support for construction of demonstration landscapes because the program has not been shown to be either cost-effective or utilized by the targeted communities. 648
5. Conservation Education. Recommend that \$234,000 proposed for conservation education be provided from the California Environmental License Plate Fund rather than the Energy and Resources Fund because it involves ongoing activities. (Reduce Item 386-001-188 by \$234,000 and establish new Item for \$234,000.) 648
6. *Unidentified Expenditures. Reduce Item 386-001-001 by \$80,600.* Recommend reduction of General Fund support proposed for unidentified studies the need for which has not been justified. 649

DEPARTMENT OF WATER RESOURCES—Continued**GENERAL PROGRAM STATEMENT**

The Department of Water Resources (DWR) is responsible for (1) planning for the protection and management of California's water resources, (2) implementation of the State Water Resources Development System, including the State Water Project, (3) public safety and the prevention of damage through flood control operations, supervision of dams, and safe drinking water projects, and (4) furnishing technical services to other agencies.

The department headquarters is in Sacramento. District offices are in Red Bluff, Fresno, Sacramento and Los Angeles. The operations and maintenance of the State Water Project is carried out through the department's field offices.

The California Water Commission, consisting of nine members appointed by the Governor and confirmed by the Senate, serves in an advisory capacity to the department and the director.

The Reclamation Board, which is within the department, consists of seven members appointed by the Governor. The board has various specific responsibilities for the construction, maintenance and protection of levees within the Sacramento and San Joaquin River valleys.

ANALYSIS AND RECOMMENDATIONS

The budget proposes two appropriations totaling \$25,539,900 from the General Fund (\$21,680,900) and the Energy and Resources Fund (\$3,859,000) for support of the Department of Water Resources in 1981-82. This is a decrease of \$1,743,205, or 6.4 percent, below estimated current year expenditures. This amount will increase by the amount of any salary or staff benefit increase approved for the budget year.

The budget proposes total expenditures by the department of \$496,669,400 in 1981-82, an increase of \$132,954,179, or 36.5 percent, over the current year. This amount includes support, capital outlay, and local assistance. Of the total, \$42,961,800, or 8.6 percent, is proposed for appropriation in the Budget Bill.

Significant Budget Changes

Table 1 summarizes total expenditures proposed for 1981-82, and details significant program changes by fund. A total of \$26,680,900 is proposed for expenditure from the General Fund, a decrease of \$5,640,638, or 17.5 percent, from estimated current year General Fund expenditures. This amount includes \$21,680,900 for support and \$5,000,000 for local assistance. With the exception of \$584,891 requested for price increases during the budget year, all of the significant General Fund changes proposed for 1981-82 are decreases. These decreases reflect:

- (a) Completion during the current year of certain capital outlay expenditures, primarily at Sutter-Bypass, costing \$3,388,129.
- (b) A \$671,000 "special adjustment."
- (c) A \$2,166,400 credit to the State Water Project to compensate for previous overpayments by the General Fund for its share of operation and maintenance costs pursuant to the Davis-Dolwig program.

As Table 1 shows, the primary changes affecting funding from other sources include:

- (a) A net increase of \$4,375,941 from the Energy and Resources Fund for various water conservation programs and construction of a reverse osmosis desalting plant.
- (b) A net increase of \$134,966,380 from various State Water Project funds. Major changes include:
 - \$4,992,528 for various capital outlay projects in 1981-82.
 - \$102,720,380 for construction costs of the Reid-Gardner generating unit.

Table 1
Department of Water Resources
Proposed Budget Adjustments—1981-82

	<i>General Fund</i>	<i>Special Account for Capital Outlay</i>	<i>Energy Special Account*</i>	<i>State Water Project Fund^b</i>	<i>Safe Drinking Water Bond Fund</i>	<i>State, Urban and Coastal Park Fund</i>	<i>Renewable Resources Investment Fund</i>	<i>Energy and Resources Fund</i>	<i>Federal Funds</i>	<i>Reimbursements</i>	<i>Total</i>
1980-81 Base Budget (Revised)	\$32,321,538	\$1,103,530	\$250,000	\$281,282,320	\$36,782,324	\$137,602	\$1,884,303	\$3,363,059	\$1,726,594	\$4,863,951	\$363,715,221
A. Workload Adjustments											
1. Various one-time capital outlay expenditures	-3,388,129	—	—	4,992,528	—	-137,602	—	—	—	—	1,466,797
2. Water conservation devices (Ch. 1104, Stats. of 1979)	—	—	—	—	—	—	-1,312,803	—	—	—	-1,312,803
3. Construction Reid-Gardner Power Plant	—	—	—	102,720,380	—	—	—	—	—	—	102,720,380
4. Suisun Marsh mitigation facilities	—	—	—	12,386,341	—	—	—	—	—	—	12,386,341
5. Bond service and administration	—	—	—	-3,017,000	—	—	—	—	—	—	-3,017,000
6. Delete coal technology activities	—	—	—	-3,115,321	—	—	—	—	—	—	-3,115,321
7. Increase power purchases	—	—	—	6,000,000	—	—	—	—	—	—	6,000,000
8. Technical error	—	—	—	—	—	—	—	—	—	800,006	800,006
9. Miscellaneous adjustments	584,891	3,470	-250,000	14,999,452	105,076	—	—	-3,363,059	-427,494	471,843	12,124,179
B. New Programs											
1. Special adjustments	-671,000	—	—	—	—	—	—	—	—	—	-671,000
2. Adjustment to Davis-Dolwig	-2,166,400	—	—	—	—	—	—	—	—	—	-2,166,400
3. Reverse Osmosis Desalter	—	—	—	—	—	—	—	4,680,000	—	—	4,680,000
4. Urban Water Conservation	—	—	—	—	—	—	—	1,617,200	—	—	1,617,200
5. Conservation Education	—	—	—	—	—	—	—	402,000	—	—	402,000
6. Agricultural Water Conservation	—	—	—	—	—	—	—	1,039,800	—	—	1,039,800
Totals, 1981-82 Budget Change	<u>-\$5,640,638</u>	<u>\$3,470</u>	<u>-\$250,000</u>	<u>\$134,966,380</u>	<u>\$105,076</u>	<u>-\$137,602</u>	<u>-\$1,312,803</u>	<u>\$4,375,941</u>	<u>-\$427,494</u>	<u>\$1,271,849</u>	<u>\$132,954,179</u>
1981-82 Proposed Budget	<u>\$26,680,900</u>	<u>\$1,107,000</u>	<u>—</u>	<u>\$416,248,700</u>	<u>\$36,887,400</u>	<u>—</u>	<u>\$571,500</u>	<u>\$7,739,000</u>	<u>\$1,299,100</u>	<u>\$6,135,800</u>	<u>\$496,669,400</u>

* State Energy Resources Conservation and Development Special Account, General Fund.

^b Includes California Water Fund, California Water Resources Development Bond Fund, Central Valley Water Project Construction Fund and Central Valley Project Revenue Fund.

^c Including price increase and completion of projects having one year of ERF funding.

DEPARTMENT OF WATER RESOURCES—Continued

- \$12,386,341 for construction of Suisun Marsh mitigation facilities, and
 - \$6,000,000 for the increased cost of power for pumping.
- (c) A decrease of \$1,312,803 from the Renewable Resources Investment Fund for distribution of water conservation devices in 1980–81, and
- (d) An increase of \$800,006 in proposed reimbursements resulting from a technical error.

Special Adjustments

The Governor's Budget includes a "special adjustment" that reduces the proposed General Fund appropriation by \$671,000. The Department of Finance indicates that this adjustment, which is equal to 3 percent of DWR's General Fund support budget, would reduce funding for the activities listed in Table 2. Although the Department of Finance has identified the general activities proposed for reduction, the specific fiscal detail was not available in the budget. We understand that further detail will be provided prior to legislative hearings through Budget Bill amendment letters.

Table 2
Proposed Special Adjustments

<i>Activity</i>	<i>General Fund Reduction</i>
Recreation planning and implementation	\$50,900
Reclamation Board-flood control activities	85,776
Administration of flood control subventions	102,357
Quality of water supplies	100,000
Topographic mapping	120,000
Weather modification	64,500
Watermaster service	147,467
Total	\$671,000

Two of the reductions listed in Table 2—those proposed for weather modification and watermaster service—are dependent on the passage of legislation. If legislation to change existing law is not enacted in early 1981–82, these reductions cannot be achieved and the department will have to reduce other General Fund activities.

Overbudgeting of Reimbursements

We recommend that reimbursements and expenditures proposed in Item 386-001-001 (d) be reduced by \$800,006 to correct a technical error.

The budget includes \$6,135,800 for reimbursements, an increase of \$1,271,849, or 26.1 percent, over the estimated reimbursements in the current year. Our analysis indicates that \$800,006 of this increase results from a technical error, in that reimbursements for DWR's services to other agencies were included twice. Consequently, we recommend that reimbursements and expenditures requested in Item 386-001-001 (d) be reduced by \$800,006. This will have no effect on the General Fund appropriation.

Revenue Bonds for Energy Development

As part of an effort to meet the long-range energy requirements of the State Water Project, the Department of Water Resources has entered into an agreement with the Nevada Power Company (NPC) to share the construction and operating costs of a new 250 megawatt coal-fired generating unit at NPC's Reid-Gardner power plant north of Las Vegas. Under the agreement, DWR would obtain 169.5 megawatts of generating capacity for a 15-year period, and a decreasing amount over the remaining life of the project. The department anticipates that construction will be completed in 1983 at a cost to DWR of approximately \$196 million. Contracts have been awarded in the current year for the major equipment acquisitions as well as for construction of the unit.

The budget schedules \$102,720,380 from State Water Project funds for the 1981-82 costs associated with Reid-Gardner. Funding for these expenditures, however, is not presently available, but is dependent on the sale of revenue bonds. The department attempted to market \$100 million in revenue bonds in October 1980, but all bids exceeded the maximum legal interest rate of 8.5 percent and the sale was not completed. The department intends to offer the bonds again when the market improves and/or legislation is enacted to raise the maximum interest rate. If the bonds cannot be sold, the department will be unable to finance the project.

Reduction for Davis-Dolwig Costs

The Davis-Dolwig Act (Sections 11900-11923 of the Water Code) establishes state policy that recreation and the enhancement of fish and wildlife resources are among the purposes of the state water projects, and that costs incurred for the development of such facilities shall be paid by all of the people.

Pursuant to the act, the state annually reimburses the State Water Project (SWP) for that portion of capital and operating costs allocated to recreation, fish and wildlife enhancement. The state's share of capital costs is supported by a \$5 million annual transfer of tidelands oil and gas revenues, while operating costs are supported by an annual support appropriation from the General Fund.

The allocation of costs between the SWP and the state is derived through a complex formula. The department periodically reviews the allocation factors contained in the formula to verify that the allocation provides an accurate distribution of costs. The department's latest review resulted in a significant reduction in the allocation to recreation and fish and wildlife enhancement. Based on the revised allocation, the General Fund has *overpaid* the SWP approximately \$6.3 million in recent years. The budget proposes to correct the overpayment over the next three years by eliminating the General Fund support payment to the State Water Project. Consequently, the Governor's Budget for 1981-82 reflects a General Fund reduction of \$2,166,400. The budgets for 1982-83 and 1983-84 will also reflect in a General Fund reduction of approximately \$2.1 million.

WATER CONSERVATION

The Department of Water Resources has been involved in urban and agricultural water conservation activities for a number of years. During the current year, DWR's water conservation program received major emphasis as a result of three actions: (a) a departmental reorganization which centralized state-supported water conservation activities in a new Office of Water Conservation (OWC) (b) a large increase in state funding for water conservation and (c) the water conservation program continued in SB 200, as enacted. Table 3 details the increase in funding for water conservation, by funding source, as proposed in the 1981-82 Governor's Budget.

Table 3
Office of Water Conservation
Expenditures by Fund
1979-80 to 1981-82

	<i>Actual 1979-80</i>	<i>Estimated 1980-81</i>	<i>Proposed 1981-82</i>
General Fund.....	\$614,697	\$1,088,893	\$1,107,500
Environmental License Plate Fund.....	190,938	—	—
Renewable Resources Investment Fund.....	343,747	1,884,303	571,500
Energy and Resources Fund.....	—	2,395,129	3,059,000
Federal funds.....	166,808	85,200	—
Totals.....	\$1,316,190	\$5,453,525	\$4,738,000

DEPARTMENT OF WATER RESOURCES—Continued

As Table 3 indicates, state support for activities in the OWC increased from \$1,316,190 in 1979–80 to \$5,453,525 in the current year, an increase of \$4,137,335, or 314 percent. This major augmentation included the following:

- \$2,395,129 from the Energy and Resources Fund, primarily for a variety of research projects in agricultural water conservation.
- \$1,540,556 from the Renewable Resources Fund for the distribution of water conservation kits and conservation education, and
- \$474,196 from the General Fund for a variety of conservation activities.

The magnitude of the increase in water conservation has created a number of budgetary and management problems for the Office of Water Conservation. These problems are discussed below. This section is followed by a more detailed discussion of the agricultural water conservation program and five of its projects: California Irrigation Management Information System, Distribution of Water Conservation Kits, Demonstration Landscapes, Funding Transfer for Conservation Education and Unidentified Expenditures.

Problems in Program Management

We withhold recommendation on funding for the water conservation program pending receipt of information from the department on how it will implement the current and budget year programs and how it will handle the problems identified below. We further recommend that the Legislature adopt supplemental report language directing the Department of Water Resources to report to the Legislature no later than December 1, 1981 on the implementation of the programs in the Office of Water Conservation.

Before evaluating the 1981–82 budget request, we reviewed the implementation of the current year program. Although the 314 percent augmentation in the current year may eventually result in long-term benefits, the size of the augmentation in combination with the recent reorganization within the department, has resulted in serious short-term administrative problems which jeopardize the effectiveness of certain program activities. These problems not only limit the effectiveness of the program during the current year; they also make evaluation of the budget year proposal difficult. The problems include:

- **Delay in project implementation.** OWC received \$2,150,000 in the current year for 17 specific agricultural water conservation projects. As of January 1981, only 8 contracts were being negotiated; the other 9 projects (totaling \$580,000) have been dropped. The department proposes to redirect the \$580,000 to alternative projects, but it has not received approval from the Department of Finance for the revision. These changes appear to result from the haste with which the program was prepared last year.
- **Lack of program detail.** Certain programs are proposed for 1981–82 that are inadequately justified. For example, \$90,600 is proposed in 1981–82 for unidentified studies. An additional \$85,000 is proposed for coordination with regulatory agencies, but there is no supporting material for the request.
- **Inadequate measures of program effectiveness.** Certain activities lack goals and/or measures of program effectiveness. For example, the 1981–82 budget proposes \$75,000 from the ERF to demonstrate water conserving landscapes. However, no data exists to prove either the effectiveness of the water conserving landscape as compared with conventional landscapes or the interest of communities in utilizing the demonstration landscapes.
- **Budget inaccuracies.** At the time this analysis was written, the department could not provide the budget detail necessary to reconcile the level of expenditures or the personnel-years authorized in the 1980 Budget Act with the program component detail furnished by the OWC. Consequently, it is impos-

ible to accurately evaluate whether certain activities are adequately supported. Furthermore, the Governor's Budget proposes to appropriate \$571,500 from the Renewable Resources Investment Fund (RRIF) in the budget year. However, the OWC indicates that only \$233,500 from RRIF will be available for expenditure.

These and additional problems have made a thorough review of the 1981-82 budget proposal impossible. Although certain of the problems are attributable to departmental reorganization and the implementation of major new activities, we have no assurance that they will be resolved in the near future. Resolution of these problems is especially important because the department is likely to receive a \$4 million grant from the State Clean Water Bond Fund made by the State Water Resources Control Board. This grant, which is not included in either the department's or the board's budgets, would establish a number of new water conservation projects and impose an additional administrative burden on the OWC.

We defer recommendation on the overall water conservation program, pending receipt of information needed to permit legislative review of the requested amount. We also recommend that the Legislature adopt the following supplemental report language calling for a report on the accomplishments of the program, in 1981-82:

"The Department of Water Resources shall report to the Joint Legislative Budget Committee and the legislative fiscal committees no later than December 1, 1981 on the activities of the Office of Water Conservation. The report should include, but not be limited to, a breakdown of each activity for 1980-81 and 1981-82 describing the amount, funding source, personnel-years, anticipated implementation date, program objectives and accomplishments."

Agricultural Water Conservation

Agricultural water conservation is a major portion of the work of the OWC. The 1980 Budget Act included an augmentation of \$2,150,000 from the Energy and Resources Fund (ERF) for additional research projects in agricultural water conservation. The budget proposes \$1,039,800 from ERF for additional research in 1981-82.

We have already noted that the \$2,150,000 appropriated by the 1980 Budget Act was intended to fund 17 specific projects. The department, however, is presently proposing to implement only eight of the original 17 projects, at a revised level of \$1,570,000. The date of implementation for many of these projects is uncertain because most of the eight contracts were still being negotiated in January 1981.

As detailed in Table 4, the department proposes to drop nine of the budgeted projects totaling \$580,000, and to redirect funds to six alternate projects. One of the six, watershed management, is not related to agricultural water conservation and would not be administered by the Office of Water Conservation.

As Table 4 indicates, an appropriation of \$1,039,800 from the ERF is proposed for expenditure on five specific projects (plus contract administration) in 1981-82. Three of these, totaling \$833,000, are projects initially approved in the 1980 Budget Act. One of these projects, involving \$753,800, is the California Irrigation Management Information System (CIMIS), discussed in detail below. The remaining \$180,000 would provide second year funding for research in brackish water irrigation (\$130,000) and improved water management in orchards and vineyards (\$50,000). If these projects are not undertaken in the current year, the \$180,000 should be removed from the budget year request. We anticipate that more information on these projects will be available prior to budget hearings.

DEPARTMENT OF WATER RESOURCES—Continued

Table 4
Agricultural Water Conservation
Energy and Resources Fund Projects
1980-81 and 1981-82

	1980-81		1981-82 Proposed
	1980 Budget Act	Proposed Revision	
Contract Administration	\$40,500	\$80,000	\$26,000
(1) CIMIS	981,200	981,000	753,800
(2) Cropping practices	49,000	45,000	—
(3) Plant breeding	24,500	25,000	30,000
(4) Soil-water evaporation relationships	49,000	50,000	50,000
(5) Price incentives	24,500	40,000	—
(6) Demonstration projects	196,200	200,000	— ^a
(7) Irrigation scheduling	74,000	74,000	—
(8) Sensors and measuring devices	98,100	75,000	—
(9) Imperial Valley conservation plan	98,100	—	—
(10) Irrigation requirements of crops	98,100	—	—
(11) Water production functions	98,100	—	—
(12) Field efficiency of irrigation methods	98,100	—	—
(13) Cultural practices	98,100	—	—
(14) Economic benefits of water conservation	24,500	—	—
(15) Drainage modeling	24,500	—	—
(16) Computer systems for water management	49,000	—	—
(17) Replacement cost pricing	24,500	—	—
(18) Brackish water	—	147,000	130,000
(19) Distribution systems	—	50,000	—
(20) Orchards and vineyards	—	50,000	50,000
(21) Irrigation methods survey	—	125,000	—
(22) Irrigation technician curriculum	—	58,000	(175,000) ^b
(23) Watershed management	—	150,000	(216,000) ^c
Totals	\$2,150,000	\$2,150,000	\$1,039,800

^a These projects are proposed for continuation in 1981-82 using part of a proposed \$4 million State Water Resources Control Board grant from the State Clean Water Bond Fund.

^b Irrigation technician curriculum is intended to be a multi-year program with \$175,000 expended in 1981-82. However, the Governor's Budget does not provide funds for the program in the budget year.

^c The department indicates that budget year costs for watershed management will come from State Water Project funds.

California Irrigation Management Information System (CIMIS)

We recommend elimination of \$753,800 from Item 386-001-188 for the second year implementation costs of the California Irrigation Management Information Services program (CIMIS) because sufficient carryover is available from the current year.

The 1980 Budget Act appropriated \$2.15 million for agricultural water conservation, of which \$981,200 was proposed to establish and implement the California Irrigation Management Information System (CIMIS). This program proposes to establish a computerized data bank, operated by the University of California, to provide farmers with up-to-date weather and soil information. This information could be accessed by farmers to increase their irrigation efficiency.

At the time that funds for CIMIS were provided by the Legislature, there was little detailed information available on how the program would be implemented. As of January 1981, a number of questions remain unanswered.

- **Total Cost.** Although the department's request last year was for a one-year appropriation of \$981,200, the full cost of CIMIS is now estimated to be \$3.6 million over a four-year period.
- **Implementation Schedule.** The initial proposal developed by the University

was based on an implementation date of November 1, 1980. DWR had not received a formal contract proposal from UC as of January 1981.

- **Pilot Test vs. Full Implementation.** The CIMIS proposal described the first phase as a "pilot test". However, the proposal now proposes to go forward with full implementation, leaving no opportunity for evaluation of a limited pilot experience. If the contractors determine that a pilot phase is necessary, the initial costs may be scaled down.
- **Coordination/Consolidation.** The proposed hardware configuration for the CIMIS computerized data bank is similar to that of the Integrated Pest Management (IPM) program presently being implemented by the Department of Food and Agriculture and the University of California. However, no provision is made in either the CIMIS or IPM proposals for coordination or consolidation. Consequently, in September 1980 we requested that staff responsible for the two programs discuss such consolidation. We have received verbal indications from UC that such coordination will result in reduced CIMIS costs of approximately \$150,000 but we have seen no detail to reflect such a reduction.

The budget proposes \$753,800 from the Energy and Resources Fund for the second year of CIMIS implementation. At the time this analysis was written, the department had submitted no data to justify this expenditure level. Consequently, this appropriation request is premature. As noted above, the contract with UC has not been submitted to DWR for approval. Subsequent to the department's approval, both the Department of General Services and the Department of Finance must review and approve the contract, requiring additional time. Because of the delays plus the probable reduction in hardware computer needs, we anticipate that much of the current year \$981,200 will be carried over to the budget year and can be used to continue support for the program in 1981-82. Given the likely availability of these carryover funds and the lack of adequate justification for the entire CIMIS program, we recommend that the proposed 1981-82 appropriation of \$753,800 be deleted. If additional detail justifying the need for additional funds becomes available prior to budget hearings, we will amend our recommendation accordingly.

Distribution of Water Conservation Kits

We recommend approval.

The Governor's Budget requests \$1,383,200 from the Energy and Resources Fund (ERF) to cover the costs of distributing water conservation kits to 1.1 million households in 1981-82. The kits include water displacement devices for toilets and flow restrictors for showers. This program was begun under Chapter 1104, Statutes of 1979 (SB 201) which appropriated \$2,211,300 from the Renewable Resources Investment Fund (RRIF) to DWR for this purpose. Of the amount appropriated by Chapter 1104, all but \$175,000, which is reserved for future evaluations, will be fully expended in the current year.

During the current year, most of the kits are being distributed in the Humboldt Bay area and Ventura, Santa Clara, Orange and Fresno Counties. The priority locations for 1981-82 have not been identified. The department indicates that approximately \$125,000 of the proposed \$1,383,200 appropriation will be used specifically to distribute kits to low-income, inner-city households. An additional \$61,000 appropriation from the ERF and \$233,500 from a separate RRIF appropriation will be used to fund a water conservation education program in areas designated for kit distribution.

Based on installation rates experienced in previous pilot programs, the department estimates that the annual savings in water and energy costs will exceed the one-time cost of this program by a factor of three. For this reason, we recommend that the funds be approved.

DEPARTMENT OF WATER RESOURCES—Continued**Demonstration Landscapes**

We recommend that \$75,000 requested from the Energy and Resources Fund for construction of demonstration landscapes be deleted because the program has not been shown to be either cost effective or utilized by the targeted communities.

The current year budget provides \$25,300 from the Energy and Resources Fund (ERF) to construct four demonstration water-conserving landscapes. The landscapes are intended to encourage builders, landscape architects, nurseries and homeowners to utilize water-conserving landscapes. The budget proposes to increase ERF funding for this activity in 1981-82 to \$134,000. The proposed appropriation includes \$75,000 to construct eight to 10 additional demonstration landscapes, and \$59,000 for an 18-month comparison of drought tolerant landscapes vs. conventional landscapes.

Our analysis indicates that, prior to construction of additional demonstration landscapes two questions should be answered: (1) Are the "water-conserving landscapes" a cost-effective alternative in terms of water, energy and labor cost savings, compared to conventional landscapes and (2) once constructed, are the landscapes utilized by nurseries, architects and homeowners or are they one-time demonstrations? The first of these questions is to be answered by the study proposed in the budget, which will not be completed for 18 months. The department had no data available that might answer the second question.

We recommend that the \$59,000 requested for an 18-month study of drought tolerant landscapes be approved on the basis that this information is needed to guide future state activity in this area. We further recommend that the proposed study be amended to provide information on target group utilization.

We recommend, however, that the \$75,000 requested for demonstration landscapes be deleted from Item 386-001-188 at this time. Future construction of water-saving landscapes should be deferred until it is demonstrated that (a) water-conserving landscapes are a cost-effective alternative to conventional landscapes and (b) the landscapes are effectively utilized by the target groups in the communities.

Funding Transfer for Conservation Education

We recommend that \$234,000 for conservation education be appropriated from the California Environmental License Plate Fund (ELPF) rather than from the Energy and Resources Fund (ERF), because it would support an ongoing activity.

The budget proposes \$234,000 from the Energy and Resources Fund (ERF) for conservation education activities in 1981-82. These activities include dissemination of information to public schools, teacher training and curriculum development. Conservation education has been an ongoing activity of the Department of Water Resources since 1977. Since that time the program has been funded from a variety of sources, including the General Fund, the California Environmental License Plate Fund (ELPF) and the ERF.

The Governor's Budget for 1980-81 proposed that support for this program be provided from the ELPF. Subsequently, however, estimated revenues to the ELPF in 1980-81 were revised downward. In response, the Legislature shifted funding for this program from the ELPF to the proposed ERF.

Chapter 899, Statutes of 1980 (AB 2973), which established the Energy and Resources Fund, includes a statement of legislative intent that funds from the ERF are to be used only for short-term projects, and not for ongoing programs. The conservation education activities proposed for support with ERF money are ongoing and do not meet the legislative intent expressed in Chapter 899. Consequently,

we recommend that the \$234,000 proposed to support this program be appropriated from the ELPF, rather than from the ERF. (Reduce Item 386-001-188 by \$234,000 and establish a new item for \$234,000 from the ELPF). The activities of the program are in accord with the purposes of the ELPF, which include "environmental education, including formal school programs and informal public education programs." The Governor's Budget projects a June 30, 1982 accumulated surplus of \$2,487,580 in the ELPF, which is more than adequate to fund the \$234,000 requested for 1981-82.

Unidentified Expenditures

We recommend that \$90,600 requested for unidentified studies in Item 386-001-001 be reduced to \$10,000, for a General Fund savings of \$80,600.

The budget proposes \$234,000 from the General Fund for cooperative studies in 1981-82. These studies are intended to encourage conservation measures, and will involve individual farmers, local water agencies, the Cooperative Extension Service and the Agricultural Research Services. Current year studies include investigations in the Imperial Valley, Jackson Valley and Ventura Valley.

The proposed amount for 1981-82 represents an increase of \$114,600, or 96 percent, over the current year level. In addition to requesting funds needed to continue investigations supported in the current year, the budget requests \$90,600 for "unidentified studies." This is a major increase over the \$8,000 provided for such studies in both 1979-80 and 1980-81. According to the department, the \$8,000 has been used to identify new areas for future cooperative studies which are then separately budgeted. Neither the DWR nor the Department of Finance, however, have provided data to justify the budget year increase to \$90,600. Consequently, we have no basis on which to recommend that a major increase in funding for these studies be approved. Consequently, we recommend that the appropriation be reduced to \$10,000 (current year level plus inflation), for a General Fund savings of \$80,600.

Local Assistance

We recommend approval.

The federal government, through the Corps of Engineers, conducts a nationwide program for the construction of flood control levee and channel projects. Congress requires local interests to sponsor projects and participate financially by paying the costs of rights-of-way and relocation. Prior to 1973, California reimbursed the local interests for all of their costs. Since 1973, these costs have been shared between the state and local agency as provided by Chapter 893, Statutes of 1973.

The budget proposes an appropriation of \$5 million from the General Fund as the State's share for the construction of flood control levees and channel projects. This is the same funding level approved in the 1980 Budget Act. The requested amount will be used to pay (a) approximately \$1 million in unpaid claims carried over from the current year and (b) \$4 million in claims that will be presented and processed by the department in the current year. Our analysis indicates that the amount requested is needed to reimburse local agencies for their costs in the current and budget years.

DEPARTMENT OF WATER RESOURCES—CAPITAL OUTLAY

Item 386-301 from the Special
Account for Capital Outlay
and the Energy and Re-
sources Fund

Budget p. R 205

Requested 1981-82	\$4,987,000
Recommended approval	4,987,000

ANALYSIS AND RECOMMENDATIONS

The budget proposes appropriations of \$4,987,000 from two funds for capital outlay projects of the Department of Water Resources in 1981-82. A total of \$1,107,000 is proposed from the General Fund, Special Account for Capital Outlay, and \$3,880,000 is proposed from the Energy and Resources Fund.

Special Account for Capital Outlay

The budget requests \$1,107,000 from the Special Account for Capital Outlay to (a) support flood control activities under Reclamation Board authority and (b) continue the program to convert the snow data collection system to satellite communication.

(a) Flood Control

We recommend approval.

The budget proposes \$1,045,000 from the General Fund, Special Account for Capital Outlay, for the acquisition of land easements and rights-of-way by the State Reclamation Board. This land will be acquired for the following flood control projects in the Sacramento and San Joaquin River systems which are being undertaken by the U.S. Corps of Engineers:

(a) Sacramento River and tributaries flood control project	\$30,000
(b) San Joaquin River and tributaries flood control project	15,000
(c) Sacramento River bank protection	1,000,000
Total	\$1,045,000

Our analysis indicates the proposed amount is justified and we recommend approval.

(b) Snow Data Telemetry

We recommend approval.

The budget proposes \$62,000 for six satellite-tracked snow data collection platforms. This is the fourth phase of a five-year program of state participation in the conversion of 30 data collection sites from land-based microwave communications to Geostationary Environmental Satellites (GOES) communications. Other cooperating agencies (utility districts, flood control districts, and other water related entities) will participate in an additional 92 telemetry sites to be included in the statewide system. Prior budget appropriations for the first three phases of the project total \$213,050. When the system is completed, the information available to the department will improve control of streamflows and reservoir storage.

The Energy and Resources Fund—Reverse Osmosis Desalination Plant

We recommend approval.

The budget proposes an appropriation of \$800,000 from the Energy and Resources Fund for design and support costs to be incurred in 1981-82 in connection

with the development of a pilot reverse osmosis desalination plant (Item 386-001-188). An additional \$3,880,000 is requested by this item from the same fund for construction costs in 1981-82

The department has been investigating the possible applications of desalting (reclaiming) saline and brackish waters for a number of years. One focus of these investigations has been agricultural waste waters in the San Joaquin Valley which are too salty to be used for irrigation and therefore create a serious disposal problem. Since 1971, the department, in cooperation with the University of California, has been developing reverse osmosis technology as one alternative to reclaiming this wastewater. In September 1979, the department completed operation of a small-scale, 25,000 gallon-per-day reverse osmosis pilot plant at a test site in the San Joaquin Valley.

The 1980 Budget Act provided \$777,500 from the Energy and Resources Fund for the siting and design costs of a larger, one million gallon-per-day pilot reverse osmosis desalination plant. An additional \$3,322,500 was proposed in the 1980-81 budget to cover costs of construction. These funds were eliminated during budget hearings because the department would be unable to begin construction in 1980-81.

According to the department, the proposed pilot plant will be used to provide design, operating and cost data necessary to evaluate the feasibility of a larger, 25 million gallon-per-day desalting plant for the State Water Project. If proven feasible, the 25 million gallon-per-day plant will be constructed from State Water Project funds.

The pilot plant appears to be consistent with the purposes of ERF to develop water reclamation and water conservation programs. Our review of the proposal indicates that it is justified and we recommend approval.

DWR indicates that approximately \$1.2 million will be required annually from 1982-83 through 1984-85 for operating costs of the pilot plant during the test phase. Future year funding for these costs will depend on the availability of funds in the ERF and the relative priority given to the project in competition with other proposals.

STATE WATER RESOURCES CONTROL BOARD

Item 394 from the General
Fund and Energy and Re-
sources Fund

Budget p. R 207

Requested 1981-82	\$16,783,181
Estimated 1980-81	13,679,802
Actual 1979-80	10,434,450
Requested increase (excluding amount for salary increases) \$3,103,379 (+ 22.7 percent)	
Total recommended reduction	\$2,320,883
Recommendation Pending	\$978,063

1981-82 FUNDING BY ITEM AND SOURCE

Item	Description	Fund	Amount
394-001-001—Support		General	\$14,783,181
394-101-188—Local Assistance-Sedimentation Con- trol		Energy and Resources	2,000,000
394-001-890—Federal Support		Federal Trust	(14,578,963)
Total			\$16,783,181

STATE WATER RESOURCES CONTROL BOARD—Continued**SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS**Analysis
page

1. Administration of Wastewater Facility Grants. Recommend adoption of supplemental report language requesting information on the allocation of funds received pursuant to the federal Construction Management Assistance Grant program in excess of \$7,361,501. 656
2. State Assistance Program. Recommend that the board report to the fiscal subcommittees at budget hearings on the final allocation of grants under the State Assistance Program. 657
3. *Upper Newport Bay. Eliminate Item 394-101-188, for savings of \$2 million to Energy and Resources Fund.* Recommend elimination of support for Upper Newport Bay sedimentation control project because the request is premature. 658
4. *Toxics. Reduce Item 394-001-890 (Federal Trust Fund) by \$217,116.* Recommend reduction in federal support because funds are not available pursuant to Federal Resources Conservation Recovery Act (RCRA). Withhold recommendation on remaining \$1,202,667 (\$978,063 General Fund, \$224,604 reimbursements) for toxics program pending submittal of a board report to the Legislature prior to budget hearings on the board's overall vacancy rate and steps being taken to reduce it. 660
5. *Water Rights Backlog. Reduce Item 394-001-001 by \$154,883.* Recommend deletion of 5.5 positions for processing water rights permits because they would have no effect on the existing backlog. Further recommend adoption of supplemental report language requesting the board to conduct a comprehensive review of the water rights permit process. 661
6. Office of Water Recycling. Recommend adoption of supplemental report language requesting the board to abolish the Office of Water Recycling because the Department of Water Resources is the lead state agency for this work. 662
7. *Salary Savings. Reduce Item 394-001-001 by \$166,000.* Recommend that total salary savings be increased by \$400,000 to reflect past experience, resulting in a General Fund savings of \$166,000 and a \$234,000 reduction to other funds not appropriated in the Budget Bill. 663
8. *Technical Adjustment. Reduce Item 394-001-890 by \$794,949 and increase expenditures and reimbursements within Item 394-001-001 by an equal amount.* Recommend a reduction in expenditures from the Federal Trust Fund and an equal increase in reimbursements to correct a technical error in the budget. 664

GENERAL PROGRAM STATEMENT

The State Water Resources Control Board has two major responsibilities: control of water quality and administration of water rights. The board is composed of five full-time members who are appointed by the Governor to serve staggered, four-year terms. Nine regional water quality control boards carry out water pollution control programs in accordance with the policies of the state board.

The state board carries out its water pollution control responsibilities by estab-

lishing requirements for wastewater discharges and by administering state and federal grants to local governments for the construction of wastewater treatment facilities. Water rights responsibilities involve issuing permits and licenses to applicants who desire to appropriate water from streams, rivers and lakes.

ANALYSIS AND RECOMMENDATIONS

The budget proposes two state appropriations totaling \$16,783,181 for support of the State Water Resources Control Board in 1981-82, consisting of \$14,783,181 from the General Fund and \$2,000,000 from the Energy and Resources Fund. This is an increase of \$3,103,379, or 22.7 percent, above estimated current-year expenditures. This amount will increase by the amount of any salary or staff benefit increases approved for the budget year.

The board proposes total expenditures from all sources of \$126,057,327 in 1981-82, a decrease of \$609,317, or 0.5 percent, from estimated expenditures in the current year.

Sources of Funding

The board's total funding for 1981-82, by source, is shown in Table 1. Neither the State Clean Water Bond Fund nor the State Water Quality Control Fund is subject to appropriation in the Budget Bill.

Table 1
State Water Resources Control Board
Sources of Funding for 1981-82

<i>Fund</i>	<i>Amount</i>
General Fund (Item 394-001-001)	\$14,783,181
Energy and Resources Fund (Item 394-101-188)	2,000,000
State Clean Water Bond Fund	93,638,353
State Water Quality Control Fund	198,696
Reimbursements	858,134
Federal Funds (Item 394-001-890)	14,578,963
Total	\$126,057,327

The major funding sources for the board's programs are discussed below.

- The board will receive \$93,638,353 from the State Clean Water Bond Fund in 1981-82. This amount does not appear in the Budget Bill because the bond funds are continuously appropriated by the authorizing bond acts. Of this amount, \$87,500,000 is budgeted for grants to local agencies. The remaining \$6,188,353 from the bond fund will be used for research, water quality control planning and data management, and to reimburse the Treasurer for his expenses (\$50,000).
- The State Water Quality Control Fund provides low-cost loans to assist in the construction of facilities for the collection, treatment or export of wastewater in cases of extreme hardship. The budget has allocated \$500,000 for this purpose, and has scheduled \$301,304 in repayment of existing loan principal for a net expenditure of \$198,696.
- Reimbursements of \$858,134 come primarily from fees paid by applicants for permits to appropriate water and for waste discharge permits.
- The board expects to receive \$14,578,963 in federal funds in 1981-82. This amount includes \$8,253,188 for administration of clean water grants and \$6,325,783 for water quality planning and regulation programs.

STATE WATER RESOURCES CONTROL BOARD—Continued

Table 2
State Water Resources Control Board
Proposed Budget Adjustments
1981-82

	<i>General Fund</i>	<i>State Clean Water Bond Fund</i>	<i>Renewable Resources Investment Fund</i>	<i>State Water Quality Control Fund</i>	<i>Energy and Resources Fund</i>	<i>Federal funds</i>	<i>Reimbursements</i>	<i>Total</i>
1980-81 Base Budget (Revised)	\$13,679,802	\$95,691,120	\$4,500,000	\$374,747	—	\$11,587,932	\$833,043	\$126,666,644
A. Workload Adjustments								
1. Reduction in various contract activities	-474,839	—	—	—	—	—	—	-474,839
2. Reduction for 1980-81 federal toxics expenditures	—	—	—	—	—	-287,303	—	-287,303
3. Reduction in state match for facilities construction	—	-2,500,000	—	—	—	—	—	-2,500,000
4. 1980-81 Basin Plan revision	—	-175,687	—	—	—	—	—	-175,687
5. Reduction for one-time water reclamation appropriation	—	—	-4,500,000	—	—	—	—	-4,500,000
6. Increase Federal 208 planning	—	—	—	—	—	931,941	—	931,941
7. Increase statewide indirect costs	—	—	—	—	—	500,622	—	500,622
8. Miscellaneous adjustments (including price increase)	445,272	278,913	—	-176,051	—	304,183	25,091	877,408
B. Significant Program Changes								
1. Increase Toxics Program	978,063	—	—	—	—	441,720	—	1,419,783
2. Increase water permit processing	305,383	—	—	—	—	—	—	305,383
3. Special adjustment	-150,500	—	—	—	—	—	—	-150,500
4. Update Basin plans	—	344,007	—	—	—	—	—	344,007
5. Newport Bay sedimentation control	—	—	—	—	\$2,000,000	—	—	2,000,000
6. Improve operation and maintenance of treatment plants	—	—	—	—	—	208,189	—	208,189
7. Increase construction inspection of treatment plants	—	—	—	—	—	891,679	—	891,679
Total, 1981-82 Budget Change	\$1,103,379	-\$2,052,767	-\$4,500,000	-\$176,051	\$2,000,000	\$2,991,031	\$25,091	-\$609,317
Total, 1981-82 Proposed Budget	\$14,783,181	\$93,638,353	—	\$198,696	\$2,000,000	\$14,578,963	\$858,134	\$126,057,327

Significant Budget Changes

Table 2 summarizes the proposed changes in the board's budget, by funding sources. These changes include a number of offsetting increases and decreases. The increase totals \$7,479,012, and includes \$5,169,041 for new or expanded programs. These programs, and funding source, are as follows:

- (a) \$1,419,783 for increases in the toxics program (\$978,063 General Fund and \$441,720 from federal funds).
- (b) \$305,383 (General Fund) for 8.5 additional positions to process applications for water rights.
- (c) \$344,007 (State Clean Water Bond Fund) for 10 positions to update water quality basin plans.
- (d) \$2,000,000 (Energy and Resources Fund) for construction of sedimentation control facilities at Upper Newport Bay.
- (e) \$208,189 (federal funds from the U.S. Corps of Engineers) under the Federal Intergovernmental Personnel Act for 22 positions to assist in managing and reviewing the construction of wastewater treatment facilities.

These increases are more than offset by budget year reductions of \$8,088,329. A major part of the reduction reflects the fact that one-time expenditures in the current year will not continue in the budget year. For example, Chapter 1104, Statutes of 1979, appropriated \$4.5 million from the Renewable Resources Fund for wastewater reclamation projects. These funds are scheduled for expenditure in the current year and will not continue in the budget year. Additional significant reductions include:

- (a) \$474,839 (General Fund) for reduction in contracted work primarily in data processing and water quality surveillance and monitoring.
- (b) \$287,303 (federal funds) for various toxics programs that will not be continued in the budget year.
- (c) \$2,500,000 (State Clean Water Bond Fund) reduction in state match for wastewater treatment facilities construction.
- (d) \$175,687 (State Clean Water Bond Fund) and 4.5 positions for basin planning authorized in the current year only.
- (e) \$150,500 (General Fund) for a special adjustment reduction to the water rights program.

Status of Clean Water Bond Fund

The budget estimates that, as of June 30, 1982, approximately \$135 million will remain for expenditure in the Clean Water Bond Fund. If the existing expenditure level continues, the fund will be depleted in 1983-84. The board indicates that a new bond election may be proposed for 1982.

Special Adjustment Reduction

The budget includes a General Fund reduction of \$150,500 for "special adjustments". This amount is equal to approximately 1 percent of the board's proposed 1981-82 General Fund budget. Although the amount of the reduction was determined by the Department of Finance, the board was given the flexibility to allocate the reduction. Accordingly, the board chose to reduce its proposed augmentation for water rights/permit processing from \$305,383 (8.5 positions) to \$154,883 (5.5 positions). This reduction is included in our discussion of the water rights proposal.

STATE WATER RESOURCES CONTROL BOARD—Continued**Clean Air Sanctions**

Under provisions of the Federal Clean Air Act, California must include a mandatory annual vehicle inspection program as part of the State Implementation Plan to achieve and maintain federal ambient air quality standards. On December 12, 1980, the U.S. Environmental Protection Agency (EPA) announced that California had failed to make reasonable progress towards enactment of an annual inspection program. Consequently, EPA restricted the use of federal funds for highway construction and sewage treatment facilities in California until an approved program is enacted.

These sanctions or restrictions do not apply to all sewage treatment projects. EPA guidelines exempt from the restriction those projects which are required for immediate public health needs and which do not expand usable capacity by more than one million gallons per day. According to the board, the EPA restrictions definitely apply to seven projects scheduled for funding in 1980-81 with an estimated cost of \$51 million. Funding of an additional five projects, totaling \$5.2 million, may also be restricted but a final decision has not been made by EPA. The board has no information on the potential impact of the restrictions for 1981-82.

Understated Program Expenditures

The budget proposes total program expenditures of \$126,057,327 in 1981-82. Our analysis indicates that this total could be understated by as much as \$57 million in the budget year. The unscheduled expenditures include:

- **Administration of Wastewater Facility Grants.** Funding for the administrative cost of grants for wastewater treatment facilities is provided by the federal government through the U.S. Environmental Protection Agency (EPA). Federal legislation enacted late in 1980 revised the basis for determining eligible administrative costs. This will result in the state board receiving up to \$7.2 million in additional funds in 1981-82.
- **State Assistance Program.** The board is scheduled to meet early in 1981 to approve up to \$50 million from the State Clean Water Bond Fund for grants to municipalities for pollution control, water reclamation and/or water conservation projects. The expenditure of these funds is not included in the budget. The impact on the budget year expenditure level is uncertain until a final implementation plan is adopted.

Administration of Wastewater Facility Grants

We recommend adoption of supplemental report language requesting the board to report on the allocation of any funds received pursuant to the federal Construction Management Assistance Grant Program in excess of \$7,361,501.

Funding for the board's cost of administering wastewater treatment grants is provided through the U.S. Environmental Protection Agency (EPA) by federal Construction Management Assistance Grants (CMAG). In previous years, the amount of the grant has been equal to approximately 2 percent of the California's allocation for federal clean water construction grants. On this basis, the Governor's Budget scheduled federal CMAG expenditures of \$7,361,501 for 1981-82. However, as a result of federal legislation enacted late in 1980, the CMAG grant is now based on the amount authorized rather than allocated for clean water construction grants. Preliminary estimates by board staff indicate that the state board will receive up to \$7.2 million in additional CMAG funds in 1981-82.

EPA is still in the process of drafting regulations to allocate the additional funds. According to board staff, the funds may not be restricted to administration of the construction grant program as long as EPA is assured that there is an acceptable

level of funding for the grants administration. Consequently, some federal funds may be available which could be redirected to programs currently supported from the State Clean Water Bond Fund or the General Fund. In order to determine the availability of additional funding and to ensure that the additional funds are expended to comply with legislative priorities, we recommend that the Legislature adopt the following supplemental report language.

"The State Water Resources Control Board shall report to the Legislature no later than November 1, 1981 on the allocation of any funds received pursuant to the federal Construction Management Assistance Grant which is in excess of \$7,361,501. The report shall include, but not be limited to, the amount received, the amount proposed for allocation by year, the number of positions established and the functions of the positions established."

State Assistance Program

We recommend that the board report to the fiscal subcommittees during its budget hearings on the final allocation of grants under the State Assistance Program. The report should include, but not be limited to: project description, total cost, funding by source (including local support) and proposed date of project implementation.

The Clean Water and Water Conservation Bond Law of 1978 authorizes the board to use up to \$50 million of bond proceeds for grants to municipalities for pollution control, water reclamation or water conservation projects (State Assistance Program). During the current year the board developed a preliminary listing of grant projects totaling \$56,194,756. The preliminary listing is separated into three categories as follows:

- **Water Pollution Control.** A total of \$35,312,174 is recommended for 22 pollution control projects, including \$10,000,000 for remedial erosion and urban runoff control at Lake Tahoe, \$4,036,000 for cleanup and abatement of the Stringfellow hazardous waste site and \$2,000,000 for construction of sedimentation basins for Upper Newport Bay.
- **Water Conservation.** \$7,520,960 is proposed for seven water conservation projects, including \$4,000,000 to the Department of Water Resources for unidentified projects and \$1,058,400 to the San Juan Basin Authority for a diversion structure for Oso Creek.
- **Wastewater Reclamation.** \$13,361,622 is included for 5 projects to reclaim and use wastewater.

The \$56,194,756 proposed in the preliminary list is approximately \$6.2 million more than is available for the program. When the board approved the excess amount it assumed that one or more of the larger projects would drop out or receive funding from other sources. The board will likely consider final approval of the grant applications in February 1981.

As previously noted, funds from the Clean Water Bond Fund are not included in the Budget Bill because the bond funds are continuously appropriated. Consequently, allocations of funds under the State Assistance Program (SAP) would not typically be reviewed by the Legislature. However, our analysis indicates that SAP deserves legislative review for the following reasons:

- **New program.** The expenditure of \$50 million in bond funds for water pollution, conservation and reclamation projects represents a major new program of the state board. Previous expenditures from the Clean Water Bond Fund have been made pursuant to federal regulations in the form of a state match for the construction of wastewater treatment facilities. Under SAP, the board has drafted its own criteria for project eligibility and determined funding priorities. Legislative review is appropriate to assure that the board's priorities are consistent with legislative priorities.
- **Previous legislative interest.** Certain of the projects proposed for funding

STATE WATER RESOURCES CONTROL BOARD—Continued

have been the subject of previous legislative interest, such as the \$10 million for Lake Tahoe erosion control and the \$4,036,000 for cleanup and abatement of the Stringfellow hazardous waste site.

- **Budget implications.** Allocation of the \$50 million for SAP will have a direct effect on at least two proposed 1981 Budget Bill appropriations. Item 304-101-188 proposes \$2 million from the Energy and Resources Fund to augment \$1 million from SAP and \$1 million in local funds to construct sedimentation basins for Upper Newport Bay (see the following discussion on Upper Newport Bay). The preliminary listing also includes \$4 million for unidentified conservation projects to be administered through a contract with the Department of Water Resources' Office of Water Conservation. These funds are not scheduled in the department's budget.

Because the \$50 million proposed for the State Assistance Program represents a new board program and has a direct impact on the 1981-82 budget proposals of two state agencies, we believe that the Legislature should be fully aware of the approved projects in the program. Accordingly, we recommend that the board report to the fiscal subcommittees during budget hearings on the implementation of the State Assistance Program. The report should include, but not be limited to: project description, total project cost, project funding by source (including local support) and proposed date of project implementations.

Upper Newport Bay Sedimentation Control

We recommend that \$2 million for Upper Newport Bay sedimentation control be deleted (eliminate Item 394-101-188) because the request is premature.

Upper Newport Bay has been designated a State Ecological Reserve and is an integral part of the Pacific flyway for waterfowl. However, substantial sedimentation is occurring and this is endangering the habitat of the bay. According to the board, most of the sedimentation results from upstream construction activities, agricultural erosion and stream bank erosion. A number of alternatives have been proposed to reduce the impact of the sedimentation including (a) measures to reduce and/or eliminate the sedimentation at its source upstream from the bay and (b) construction of catch basins to reduce the amount of sediment reaching the bay.

The budget proposes \$2 million from the Energy and Resources Fund (ERF) to partially support the construction of a sedimentation control project for Upper Newport Bay. The budget proposal indicates that an additional \$2 million will be provided from the board's State Assistance Program (\$1 million from the State Clean Water Bond Fund and \$1 million in local matching funds), for a total project cost of \$4 million. The \$4 million would provide for the construction of (a) two sedimentation basins above Upper Newport Bay within the stream channel of San Diego Creek and (b) a sedimentation basin within Upper Newport Bay itself.

Based on the information available on the project, we are unable to recommend approval of the request at this time for the following reasons:

- **Uncertain board priority.** The Clean Water Conservation Bond Law of 1978 authorized the use of up to \$50 million for grants to municipalities for pollution control, water reclamation or water conservation projects. Under this program (SAP), grant recipients in most cases must provide up to 50 percent of project costs from other sources. The budget proposal assumes \$2 million of the \$4 million project cost will be provided under SAP—\$1 million from the state and \$1 million in local match. Under the board's preliminary list of approved SAP projects, however, Upper Newport Bay was funded at \$4 million—\$2 million state and \$2 million local. The board also assigned it a priority

of 21 out of 22 projects. If this ranking is not improved in the final list, the project could be eliminated entirely because adequate funding would not be available.

- **Alternate funding possibilities.** As noted above, the board's preliminary project approval list for SAP recommended funding of \$4 million for the project, including \$2 million from local sources. Even if the board reduces the commitment of State Clean Water Bond Funds from \$2 million to \$1 million, the local contribution of \$2 million should still be available and could result in reducing the needed ERF appropriation to \$1 million.
- **Uncertain local commitment.** The construction of sedimentation basins is a short-term measure which will not reduce the sedimentation at its source. Source reduction can only be accomplished by effective land use and management measures. As of January 1981, the board was unable to demonstrate a commitment on the part of local governments that such action would be taken or that the SAP grant would be conditioned on these actions.
- **Ongoing Cost of Maintenance.** According to the grant application submitted by the City of Newport, there will be ongoing maintenance costs of approximately \$300,000 annually to remove sediment from the basins. The application indicates that the city intends to request that the state establish a maintenance account to be financed by annual grants from the Energy and Resources Fund. Use of ERF funds for *ongoing* projects would not be consistent with legislative intent as expressed in AB 2973—the act establishing the ERF. The \$300,000 ongoing cost is not included in the budget proposal.
- **Permits Required.** Before construction can begin a number of permit approvals must be obtained, including the approval of the California Coastal Commission, Regional Water Quality Control Board, Department of Fish and Game and U.S. Corps of Engineers. In addition, an environmental impact report (EIR) must be drafted, publicly reviewed and certified. Any of these steps could result in delay or elimination of the project.

In summary, the project request is premature. Substantial additional information should be available on the level of required funding, local commitment and completion of permits before funds are provided for this project. Consequently, we recommend that the \$2 million request for ERF support be denied, and that Item 394-101-188 be eliminated.

Increased Toxics Enforcement

The 1980 Budget Act appropriated approximately \$1 million from the General Fund for an additional 22.5 staff years to increase the board's monitoring and enforcement activities aimed at toxic pollutants that affect water quality. The budget proposes an additional \$1,419,783 for 23.5 new positions to further increase the board's emphasis on controlling toxic pollutants in 1981-82. The \$1.4 million increase includes \$978,063 from the General Fund and \$441,720 from the federal Resources Conservation and Recovery Act (RCRA).

Implementation of the toxics program has been among the board's top priorities in the current year. The implementation, however, has not been without difficulty. The most significant problem involves difficulties in recruiting trained staff. The 22.5 new positions approved for the current year could not be filled by hiring persons with the necessary skills outside the board. Because the toxics program has a high priority, the board chose to fill the new positions with existing staff, thus leaving vacancies in its ongoing program. Even so, several elements of the new toxics program are several months late in being implemented. Table 3 summarizes the current year vacancies, by regional boards and at the state board.

STATE WATER RESOURCES CONTROL BOARD—Continued

Table 3
State Water Resources Control Board
1980-81 Staff Year Vacancies

<i>Regional Boards</i>	<i>Budgeted Staff Years</i>	<i>Vacancies^a</i>	<i>Percent Vacant</i>
1	24.0	2.0	8.3%
2	48.2	7.0	14.5
3	20.2	1.0	5.0
4	38.4	4.0	10.4
5	64.4	10.0	15.5
6	26.1	3.0	11.5
7	17.9	1.0	5.6
8	22.0	4.0	18.2
9	17.2	3.0	17.4
Total, Regional Boards	278.4	35.0	12.5
State Board	442.7	38.0	8.6
Total Staff Years	721.1	73.0	10.1%

^a Vacancies are as of January 1981.

As Table 3 indicates, as late as January 1981, over 10 percent of the total authorized board positions were vacant. The vacancy rate among the regional boards, which do most of the on-site inspections, was even higher, at 12.5 percent. The board indicates that the recruitment difficulties result from a combination of a lack of qualified candidates and noncompetitive salaries. In order to improve these conditions, the board is working with the State Personnel Board (SPB) to (a) provide continuous testing for the water resources control engineer classes and (b) redefine and upgrade the environmental specialist classes. The SPB has given approval for the continuous testing but the changes in environmental specialist classes had not been approved at the time our *Analysis* was completed.

1981-82 Budget Proposal

We recommend that federal expenditures in Item 394-001-890 be reduced by \$217,116 to remove RCRA funding that is not available. We withhold recommendation on \$1,202,667 (\$978,063 General Fund, \$224,604 reimbursements) and further recommend that the board report during budget hearings on (a) the number of current year positions filled by region and program, (b) the steps that have been taken to reduce the current year vacancy rate and (c) the allocation of proposed 1981-82 positions by region and program.

The \$1.4 million (23.5 staff years) proposed for toxics enforcement in the budget year includes the following major increases: \$441,720 (11.8 staff years) for implementation of two programs pursuant to the Federal Resources Conservation and Recovery Act (RCRA), \$244,034 (5.1 staff years) for continuation and expansion of a pretreatment program and \$168,947 (4.5 staff years) for field inspections of hazardous waste sites. The remaining \$565,082 (2.1 staff years) is proposed for a variety of research costs, primarily for additional groundwater monitoring in the central valley.

We have reviewed the board's request and have no significant programmatic difficulty with the proposal. However, two aspects of the request are questionable: (a) the amount of funds available under RCRA and (b) the ability of the board to effectively utilize the additional positions in 1981-82.

- **Insufficient RCRA funding.** The board's budget includes \$441,720 in federal RCRA funds for 11.8 positions. The funds are anticipated to be available from two contracts: (1) \$224,604 (6.0 staff years) in reimbursements from the Department of Health Services (DHS) for a number of joint activities under

RCRA and (2) \$217,116 (5.8 staff years) from the Solid Waste Management Board (SWMB) to assist in the development of an Open Dump Survey. The \$224,604 from DHS was included in the department's 1981-82 budget. The SWMB however, has not included \$217,116 in its budget, and it indicates that adequate federal funds are not available for the Open Dump Survey. Consequently, we recommend that \$217,116 (5.8 staff years) in proposed federal funds be reduced from Item 394-001-890.

- **Need for additional positions.** As previously noted, the board has 73 vacancies and is still attempting to backfill the vacancies created by the current year augmentation. There is no assurance that it will be successful in doing so. Before approving an additional 17.7 new positions in the budget year (23.5 requested minus the 5.8 for RCRA), the Legislature should be assured that the current-year positions have been filled. Accordingly, we withhold recommendation on the remaining \$1,202,667 and recommend that the board report to the fiscal subcommittees during budget hearings on (a) the number of current year positions filled by region and program, (b) the steps it has taken to reduce the current year vacancy rate and (c) the allocation of proposed 1981-82 positions by region and program.

Water Rights Backlog

We recommend that Item 394-001-001 be reduced by \$154,883 to delete funding for 5.5 positions requested to process water rights permits because they would have no effect on the existing backlog. We further recommend that the Legislature adopt supplemental report language requesting the board to conduct a comprehensive review of the water rights permit process and report its findings and recommendations for improvement to the Legislature by November 1, 1981.

Any person wishing to use water from surface streams, other surface bodies of water or defined subterranean streams must apply to the board for a permit to appropriate water. The timely processing of these applications has been a problem for years, and there usually is a substantial backlog. The Legislature has taken a number of steps to reduce the backlog as summarized below.

- The 1976 Budget Act included 21 additional positions to eliminate a backlog of 700 applications. The board presented a plan at that time to eliminate the backlog within three years. Instead, the backlog increased to about 800 applications by January 1977.
- The 1977 Budget Act included a further increase of 3 positions. However, due in part to the drought, the backlog continued to increase, and by November 1977 it was nearly 1,100.
- Chapter 1200, Statutes of 1977, provided an appropriation of \$331,250 to the board which was used to hire 12 additional personnel. The board also received a special one-time augmentation for drought mitigation purposes which was used for 20 temporary positions to reduce the backlog.
- The 1978 Budget Act provided \$142,867 for an additional five positions for one year only to process the increased number of applications caused by the drought.

Despite these efforts, the backlog of applications continues, although at a reduced level. The board reports a backlog of 345 applications as of January 1981. Based on existing workload standards and estimated filings, the backlog is likely to increase during the current year. The board is budgeted for 52.3 positions (including clerical) for this work in 1980-81. Based on an average output of 7.4 applications per position per year, the board will process 387 applications. It is estimated, however, that 460 applications will be received in 1980-81 adding 73 more applications to the backlog by June 30, 1981.

The substantial backlog affects both individual water users and the entire system

STATE WATER RESOURCES CONTROL BOARD—Continued

of water rights in California. The average time required to process applications exceeds two years. Persons applying for water rights find such a lengthy wait intolerable, and many use water without authorization while waiting for a permit. The delay also could have a secondary effect of decreasing the credibility to water users of the water rights work of the board.

In order to reduce this backlog, the budget is proposing an increase of \$154,883 for 5.5 new positions. The budget initially provided \$305,343 (8.5 positions), but the board chose to apply a \$150,500 "special adjustment" to this request and reduced the proposal by 3 positions and operating expenses.

We recognize the need to improve and expedite the processing of water rights applications. Nevertheless, our analysis indicates that the budget proposal is not a cost-effective means for accomplishing this objective. Based on existing workload standards, the additional 5.5 positions would process only 41 applications. This increase will not cover the projected increase in current year applications and will have no impact on the backlog. The entire administrative process requires a comprehensive review; minor incremental change will have no significant effect on the existing backlog. Accordingly, we recommend that the proposed augmentation be denied, for a General Fund savings of \$154,883. We believe that, before any additional positions are authorized the board should provide the Legislature with the full cost and implications of all reasonable alternatives for resolving this problem. Specifically, the following questions should be answered:

- What is the total cost of eliminating the existing backlog under the current process and current workload standards?
- How can the efficiency of the existing process be improved?
- What is the projected impact of the ongoing automation effort begun in 1978?
- What is a reasonable processing time? What is a reasonable backlog?
- What alternatives exist to the existing system and what is the cost and impact of each? For example, the board has considered and rejected several alternatives, including exempting small filings from the process, contracting with private consultants and requiring all filings to be made by state licensed personnel.

With this information, the Legislature can more effectively address the needs of the entire process. Accordingly, we recommend that the Legislature adopt the following supplemental report language.

"The State Water Resources Control Board shall conduct a comprehensive review of its administration of the water rights permit process and report its findings and recommendations to the Legislature no later than November 1, 1981. The review should include, but not be limited to, the total cost required to eliminate the existing backlog, possible increased efficiencies to the existing process and alternatives to the existing process."

Office of Water Recycling

We recommend that the Legislature adopt supplemental report language requesting the State Water Resources Control Board to abolish the Office of Water Recycling because the Department of Water Resources is the lead state agency in this work.

The budget proposes \$518,400 from the Clean Water Bond Fund to continue support for 7 positions in the Office of Water Recycling (OWR) in 1981-82. Although programs supported from the Clean Water Bond Fund are continuously appropriated and are not included in the Budget Bill, we believe that the board's water recycling program requires legislative review and direction.

The OWR was established in October 1977 by executive order to promote the construction of facilities capable of recycling 400,000 acre-feet of water by 1982. To

emphasize the importance of the program and give visibility to it, OWR reported directly to the board's executive officer.

Most water reclamation projects are capital intensive, with a high initial cost for pumps, piping and other equipment. The high initial cost precludes most local agencies from undertaking reclamation projects without funding assistance. OWR sought to provide this support by requesting EPA to approve the use of Clean Water grants for reclamation projects. Initially, EPA gave approval to use clean water grant funds for reclamation planning. This year, however, it specifically disapproved use of the grants for construction of reclamation projects. This denial eliminated the only source of construction funds available to OWR and thereby eliminated its primary reason for existence. Rather than eliminating the seven positions in OWR, however, the board transferred them to the Division of Water Rights and significantly revised the duties of these seven positions to emphasize water conservation rather than water reclamation.

We have analyzed the new responsibilities of the seven positions and have concluded that they duplicate existing functions of other units within both the board and the Department of Water Resources (DWR). For example, 1.8 staff years are proposed to investigate licensed projects "to evaluate the reasonableness of current use." This is an ongoing responsibility of the Water Management and Enforcement unit within the Division of Water Rights for which there are 24.5 staff years authorized. Additional staff time is proposed "to review and coordinate pertinent state and federal agencies' activities and programs in areas of water reclamation and conservation." The 1981-82 DWR budget proposes \$85,000 for the same purpose.

The Department of Water Resources has historically been the state's lead agency for water conservation and water reclamation. The budget proposes \$4.7 million for water conservation activities in the department in 1981-82. Although we have been critical of the way the department has managed that program, the proposed work is nevertheless an appropriate responsibility of DWR. If the board requires services for water conservation, it should contract with the department for such services, rather than establish a separate unit. For these reasons, we recommend that the Office of Water Recycling be abolished, for a savings of \$518,400 to the Clean Water Bond Fund. Because expenditures from this fund are continuously appropriated and do not require legislative approval through the Budget Bill, we recommend that the Legislature express its views by adopting the following supplemental report language:

"It is legislative intent that the State Water Resources Control Board abolish the Office of Water Recycling and eliminate the seven positions associated with it."

Salary Savings Understated

We recommend that the total salary savings be increased by \$400,000 to reflect actual experience, for a savings of \$166,000 to the General Fund (Item 394-001-001) and \$234,000 to other funds.

All state agencies have some vacancies in authorized positions during the fiscal year because of staff turnover, delay in filling new positions or refilling positions at a lower salary level. Consequently, state agencies do not receive funding for the full costs of all authorized positions. "Salary savings" are estimated and deducted from the appropriation to account for the difference between the maximum cost of authorized positions and actual expenditures for salaries and wages.

Our review of the board's expenditures for salaries and wages indicates that salary savings have been consistently understated during the past three years. Table 4 compares budgeted salary savings with actual salary savings for 1977-78 through 1979-80.

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Table 4
State Water Resources Control Board
Salary Savings Experience

	<i>Budgeted Salary Savings</i>	<i>Actual Salary Savings</i>	<i>Increase</i>	
			<i>Amount</i>	<i>Percent</i>
1979-80	\$807,533 ^a	\$1,524,001	\$716,468	88.7%
1978-79	377,327	1,531,716	1,154,389	305.9
1977-78	413,361	1,516,935	1,103,574	267.0
Total	\$1,598,221	\$4,572,652	\$2,974,431	186.1%

^a Included \$214,450 mandated by Section 27.2 of the 1978 Budget Act.

Over the three-year period, actual salary savings exceeded the amount budgeted by approximately \$3.0 million, or an average of \$1.0 million annually. Although budgeted salary savings were increased in 1979-80, actual salary savings still exceeded the budgeted amount by \$716,468, or 88.7 percent. The 1980-81 budget includes \$894,305 for salary savings, or the equivalent of 26.8 vacant positions. Nevertheless, the board has indicated that, as of January 1981, 73 positions were vacant. This is a vacancy rate approximately three times higher than is required for salary savings.

The proposed budget includes \$1,008,856 for salary savings (equivalent to 26.8 positions) in 1981-82. This is the same level as budgeted for the current year, adjusted for inflation. Based on the department's experience over the past four years, this is considerably less than the savings that will actually be realized. We recommend an increase of \$400,000 in budgeted salary savings, which is a conservative increase, given past experience and the current number of vacancies. We estimate that this will result in a General Fund reduction of approximately \$166,000 to Item 394-001-001, with the remaining \$234,000 savings accruing to other funds which are not appropriated in the Budget Bill.

Technical Adjustment

We recommend that Item 394-001-890 be reduced by \$794,949 and that reimbursements and expenditures within Item 394-001-001 be increased by an equal amount to correct a technical error in the Budget Bill.

The Budget Bill includes \$794,949 scheduled for appropriation from the Federal Trust Fund (Item 394-001-890) which should properly be scheduled as reimbursements within Item 394-001-001. This amount includes \$542,237 in proposed reimbursements from the Department of Health Services and the Solid Waste Management Board plus \$252,712 in proposed reimbursements from local planning agencies. We recommend that Item 394-001-890 (Federal Trust Fund) be reduced by \$794,949 and that expenditures and reimbursements within Item 394-001-001 be increased by an equal amount. If the Legislature adopts our recommendation on toxics work to eliminate proposed reimbursements from the Solid Waste Management Board, this recommendation should be modified accordingly.