

**Resources Agency**  
**SEA GRANT PROGRAM**

Item 3110-001 from the General

Fund

Budget p. R 1

Requested 1986-87 .....	\$500,000
Estimated 1985-86.....	500,000
Actual 1984-85 .....	500,000
Requested increase: None	
Total recommended reduction .....	None
Recommendation pending .....	500,000

**SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS**Analysis  
page

1. Needs and Priorities Report. Withhold recommendation on \$500,000 requested for Sea Grant program pending receipt of the needs and priorities report which is required by existing law. 359

**GENERAL PROGRAM STATEMENT**

The National Sea Grant College Program Act of 1966 authorizes federal grants to institutions of higher education and other agencies engaged in marine resources research programs. Federal funds cover up to two-thirds of approved research costs. The remaining one-third must be provided from nonfederal funds.

Chapter 1311, Statutes of 1983, allocates \$500,000 annually in state tide-lands oil revenues to the Resources Agency for distribution to higher education institutions. Most of these funds are applied toward the one-third match required by the federal government for sea grant projects. A portion of these funds also is used to support administrative staff for Sea Grant programs at the University of California and the University of Southern California.

**ANALYSIS AND RECOMMENDATIONS****Report on Needs and Priorities Not Submitted**

*We withhold recommendation on \$500,000 requested for the Sea Grant program, pending receipt and review of the report on program needs and priorities which is required by existing law.*

The budget proposes a General Fund appropriation of \$500,000 to continue support for the Sea Grant program in 1986-87. The proposed amount is consistent with the statutory allocation approved by the Legislature in Ch 1311/83. Chapter 1311, however, also requires the Sea Grant advisory panel to establish priorities for identified state research needs for each upcoming fiscal year, and to transmit those needs and priorities to the Legislature no later than January 1 of the prior year.

This report will help the Legislature evaluate the need for Sea Grant funding in the budget year. The January 1, 1986 report, however, had not been submitted at the time this analysis was prepared. Sea Grant staff indicate that the report should be available in time for budget hearings. Consequently, we withhold recommendation on the \$500,000 proposed for the Sea Grant program pending receipt and review of the needs and priorities report.

Resources Agency  
TAHOE REGIONAL PLANNING AGENCY

Item 3110-101 from the General  
Fund and California Environ-  
mental License Plate Fund

Budget p. R 1

Requested 1986-87 .....	\$1,038,000
Estimated 1985-86.....	674,000
Actual 1984-85 .....	428,000
Requested increase \$364,000 (+54 percent)	
Total recommended reduction .....	82,000

1986-87 FUNDING BY ITEM AND SOURCE

Item—Description	Fund	Amount
3110-101-001—Support	General	\$778,000
3110-101-140—Individual parcel evaluations	Environmental License Plate	260,000
Total		\$1,038,000

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

Analysis  
page

1. Individual Parcel Evaluation System. Recommend adop- 362  
tion of Budget Bill language prohibiting expenditure of  
\$260,000 from the Environmental License Plate Fund until  
30 days after the Legislature receives the California Attor-  
ney General's comments on the criteria adopted by the  
TRPA board for implementation of the parcel evaluation  
system.
2. *Mitigation Fees. Reduce Item 3110-101-001 by \$27,000.* 364  
Recommend deletion of funds because the agency should  
set applicant fees at a level sufficient to cover the cost of  
administering the mitigation program.
3. *Miscellaneous Operating Expenses and Revenue Reduc-* 365  
*tions. Reduce Item 3110-101-001 by \$55,000.* Recom-  
mend reduction because these increases have not been  
justified.

GENERAL PROGRAM STATEMENT

The Tahoe Regional Planning Agency (TRPA) was established by an interstate compact approved by the California Legislature (Ch 1589/67), the Nevada Legislature, and the United States Congress. The purpose of the compact is to provide a coordinated land use plan and enforceable regulations to preserve and enhance the environment and resources of the Lake Tahoe Basin.

Amendments to strengthen the compact were approved by the U.S. Congress and signed by the President on December 9, 1980. California's approval of the amendments were provided through Ch 872/80. Among other things, the revised compact required TRPA to adopt a new regional plan and implementing ordinances by June 1983. A new plan was adopted by the TRPA governing board in April 1984. However, the adequacy of the plan was challenged in court by the California Attorney General and the League to Save Lake Tahoe. This litigation has led to an injunction halting almost all development in the Tahoe Basin.

## OVERVIEW OF THE BUDGET REQUEST

The budget proposes two appropriations totaling \$1,038,000 as California's contribution toward the TRPA in 1986-87. This amount consists of \$778,000 from the General Fund and \$260,000 from the Environmental License Plate Fund (ELPF). This is \$364,000, or 54.0 percent, more than the \$674,000 provided in the current year (all from the General Fund).

The TRPA also receives funds from Nevada, local governments, and various other sources. Under the compact, California's contribution to TRPA's support is twice Nevada's contribution.

**Table 1**  
**Tahoe Regional Planning Agency**  
**Estimated Revenues, by Source**  
**1986-87**  
**(dollars in thousands)**

<i>Source</i>	<i>Amount</i>
California.....	\$1,038
Nevada.....	662 <sup>a</sup>
Local Governments .....	150
Interest Income.....	95
Grants and Contracts.....	353
Filing Fee Income .....	50
Fines and Forfeitures.....	25
Total .....	\$2,373

<sup>a</sup> Includes \$128,000 for parcel evaluation activities which California will be asked to fund in 1987-88.

**Table 2**  
**Tahoe Regional Planning Agency**  
**Proposed Budget Changes, by Fund**  
**1986-87**  
**(dollars in thousands)**

	<i>General Fund</i>	<i>Environmental License Plate Fund</i>	<i>Total</i>
1984-85 Expenditures (Revised) .....	\$674	—	\$674
Proposed Changes:			
Workload and Administrative Adjustments:			
1. Deletion of one-time costs .....	-32	—	-32
2. Salary and benefit increase.....	48	—	48
3. Building expense .....	28	—	28
4. Insurance costs.....	7	—	7
Program Changes:			
1. Individual parcel evaluation system .....	—	260	260
2. Administration of mitigation fee revenue.....	27	—	27
3. Offset of filing fee revenue reduction .....	-33	—	-33
4. Miscellaneous operating expenses and revenue reductions.....	55	—	55
5. Staff training.....	4	—	4
1986-87 Expenditures (Proposed) .....	\$778	\$260	\$1,038
Change from 1985-86			
Amount .....	\$104	\$260	\$364
Percent .....	15.4%	NMF	54.0%

NMF=No meaningful figure

**TAHOE REGIONAL PLANNING AGENCY—Continued**

Table 1 summarizes the TRPA's estimated revenues for 1986-87, by source. Based on information provided by TRPA staff, these revenues will total \$2,373,000. Total expenditures from all sources planned by the agency in 1986-87 are \$2,369,674, an increase of \$203,901, or 9.4 percent, above estimated current-year total expenditures.

Table 2 summarizes the proposed changes in California's support for the agency during 1986-87, by fund.

**ANALYSIS AND RECOMMENDATIONS**

We recommend approval of the following proposed changes shown in Table 2, which are not discussed elsewhere in this analysis:

- An additional \$83,000 from the General Fund to pay for salary increases, increased building expense, and higher liability insurance costs.
- Deletion of \$32,000 in one-time funding for a scenic management study and public awareness activities (General Fund).
- A decrease of \$33,000 reflecting one-time costs in 1985-86 from the General Fund.
- An additional \$4,000 from the General Fund for staff training.

**Individual Parcel Evaluation System**

*We recommend the adoption of Budget Bill language prohibiting the expenditure of \$260,000 requested for an individual parcel evaluation system until 30 days after the Legislature has received the comments of the Attorney General on the criteria adopted by the TRPA board to implement the system.*

The budget requests \$260,000 from the Environmental License Plate Fund for the first year of a two-year project to evaluate the suitability for development of individual vacant lots in the Tahoe Basin. The agency estimates the total cost of the project to be \$770,000. The State of Nevada already has approved \$256,667 (one-third of the total cost) as its share of funding for both years of the project. TRPA plans to seek an additional \$253,000 from California in 1987-88 for the second year of the project.

**Background.** The current land capability maps in use throughout the basin were prepared in the early 1970s. Prior to the court injunction halting development in the Tahoe Basin, TRPA determined whether a property was suitable for development based on the environmental sensitivity of the land as shown on these maps. The land capability maps, in turn, are based primarily on soil maps prepared during the late 1960s by the United States Department of Agriculture, Soil Conservation Service, supplemented to a limited extent by field work and aerial photography.



The maps cannot always be used to assess individual lots, which often are less than one acre in size. This is because the maps divide the land into five-acre parcels and assign a land capability value to the entire parcel. As a result, some individual lots could be misclassified under the current system.

There is evidence that a significant number of lots have been misclassified. TRPA staff have discovered errors in the classification of more than 12 percent of the individual lots appearing on the existing land capability maps. The California Tahoe Conservancy has discovered errors in the classification of approximately 20 percent of the lots it has evaluated.

In each of the past two years, TRPA has requested funds to remap the land capability of the Tahoe Basin's urban areas. The new maps would have been based on more detailed field work than the existing maps. As part of the remapping process, TRPA would have developed new criteria, in addition to those currently used, for determining land capability.

The California Attorney General did not support the remapping proposals in prior years because the criteria on which the remapping would have been based were not specified. These proposals were denied by the Legislature or withdrawn by the TRPA.

The agency is now proposing a new approach to classifying parcels, called the individual parcel evaluation system (IPES). As part of this system, a two-person team would visit each vacant subdivided lot in the basin to evaluate its suitability for development. The evaluation would be based on a set of criteria developed by experts representing several different groups.

The IPES differs from the previous remapping proposals in that the information gathered in the field would be used to rank all 17,000 vacant lots in the basin from most to least suitable for development. The previous proposals would not have ranked the lots. Once the IPES is in place and incorporated in a functioning basin plan, residential building permits would be issued to build on a limited number of the most suitable lots each year.

**Recommendation.** Our analysis indicates that there is a need to improve the existing land capability maps for the Tahoe Basin. Moreover, if the criteria for lot evaluation are acceptable to the Attorney General and the other parties to the litigation, the IPES could help the agency implement a basin plan. If these criteria are not acceptable, litigation may continue to prevent implementation of a basin plan and the evaluation system may have to be substantially revised.

At the time this analysis was prepared, however, the TRPA could not specify what criteria will be used for the evaluation. We have been informed that the TRPA board probably will not adopt specific criteria until 1986-87. Absent these criteria, it will be difficult for the Legislature to determine whether the IPES should be funded in 1986-87.

Given the need to resolve development issues in the Tahoe Basin, we believe the IPES program should move forward in the budget year, *provided* the criteria for the program adopted by the board are consistent with the requirements of the bi-state compact. On this basis, we recommend that the expenditure of funds for IPES be prohibited until 30 days after the Legislature receives the comments of the Attorney General on the specific evaluation criteria adopted by the TRPA board. This recommendation can be implemented by adopting the following Budget Bill language under Item 3110-101-140:

"The funds appropriated in this item shall not be available for expendi-

**TAHOE REGIONAL PLANNING AGENCY—Continued**

ture until 30 days after the chairpersons of the fiscal committees, the appropriate policy committees, and the Joint Legislative Budget Committee receive the comments of the California Attorney General concerning whether the specific criteria adopted by the Tahoe Regional Planning Agency Board for the individual parcel evaluation system are suitable for developing and implementing an acceptable basin plan.”

**Mitigation Fees**

*We recommend that \$27,000 requested for the mitigation fee program from the General Fund be deleted because the cost of this program should be covered by mitigation fees.*

TRPA charges mitigation fees to applicants receiving permits or other authorizations to build in the Tahoe Basin. The funds generated by these fees are used by the local jurisdiction in which the development occurs for erosion control, water quality, traffic, and air quality improvement projects. The amount of the fee is equal to one and one-half times the amount needed to offset the project's adverse impact on environmental quality. Currently, the average fees per project are approximately \$1,000 for air quality mitigation and \$725 for water quality mitigation.

The TRPA estimates that it will spend \$40,000 in 1986-87 to evaluate project proposals, collect the fees, provide accounting services, and disburse the funds. In previous years, TRPA retained a portion of the interest earned on the fee revenue to offset these costs. In April 1985, the Nevada Legislature passed a concurrent resolution urging TRPA to halt its practice of using the interest earned on the Water Quality Mitigation Fund to pay administrative costs so that this money could be used instead by the local jurisdictions for mitigation projects. The TRPA has complied with this request and is using funds carried over from the prior fiscal year to pay the cost of administering the fees in the current year.

To pay the costs of administering the mitigation fees in 1986-87, TRPA is requesting \$27,000 from California and \$13,000 from Nevada.

**Recommendation.** Mitigation fees are based on the concept that the party causing environmental degradation should pay the costs of mitigating that degradation. The costs of a mitigation program include the costs of administration. Consequently, it is reasonable to charge project applicants for the costs of administering the mitigation program. On this basis, we recommend that the Legislature *not* finance the costs of administering the mitigation program from the state's General Fund, and that the agency charge applicants a fee to cover these costs. Accordingly, we recommend deletion of the \$27,000 requested in Item 3110-101-001 to replace interest earned on mitigation funds.

TRPA estimates that it will collect and retain fees from between 400 and 800 applicants in 1986-87. (This estimate is based on the presumption that a new regional plan will be adopted by the end of the year.) Thus, an additional fee of between \$50 and \$100 per applicant would generate sufficient funds to cover the \$40,000 in estimated administrative costs in 1986-87. Such a fee would be equal to between 3 percent and 6 percent of the average mitigation fee and thus would not appear to impose an undue burden on those applying for building permits.

**Unspecified Operating Expenses and Revenue Reductions**

*We recommend that \$55,000 requested from the General Fund for miscellaneous operating expenses and revenue reductions be deleted because these funds have not been justified.*

The budget requests an increase of \$55,000 from the General Fund to pay miscellaneous operating expenses and to offset revenue reductions in 1986-87. Based on information provided by the TRPA, it is not clear how these additional funds will be spent or why they are needed. In particular, the TRPA has failed to identify what specific expenses would be funded with these additional funds or what specific revenue reductions will result in the need for additional General Fund support in the budget year.

Accordingly, we recommend that Item 3110-101-001 be reduced by \$55,000 to eliminate increased General Fund support which has not been justified.

---

---

---

**Resources Agency**  
**CALIFORNIA TAHOE CONSERVANCY**

Item 3125 from the General  
Fund, Lake Tahoe Acquisi-  
tions (Bond) Fund, and Fed-  
eral Trust Fund

Budget p. R 2

---

Requested 1986-87 .....	\$999,000
Estimated 1985-86.....	3,234,000
Actual 1984-85 .....	307,000
Requested decrease \$2,235,000 (-69.1 percent)	
Total recommended reduction .....	None
Recommendation pending .....	80,000

---

**1986-87 FUNDING BY ITEM AND SOURCE**

Item—Description	Fund	Amount
3125-001-001—Support	General	\$699,000
3125-001-720—Support	Lake Tahoe Acquisitions	300,000
3125-101-890—Erosion control grants	Federal Trust	(5,040,000)
Total		\$999,000

---

**SUMMARY OF MAJOR ISSUES AND RECOMENDATIONS**

Analysis  
page

1. Tort Immunity. Recommend that the Legislature enact legislation to extend the tort immunity granted to the conservancy and other agencies holding “unimproved” property acquired with Lake Tahoe Acquisitions Bond funds. 367
2. Erosion Control Grants. Recommend (a) that the conservancy report during budget hearings on why it is not complying with a Budget Act requirement in the current year to fund the most beneficial projects, (b) adoption of Budget Bill language requiring projects funded in 1986-87 368

**CALIFORNIA TAHOE CONSERVANCY—Continued**

to result in a significant minimum level of sediment reduction per state dollar spent and (c) adoption of supplemental report language requiring the conservancy to prepare a priority list of erosion control projects still to be funded.

3. Property Management. Withhold recommendation on \$80,000 requested from the General Fund for management of environmentally sensitive lands, pending receipt of more detailed information on the level of staffing that will be required to implement the program. 371

**GENERAL PROGRAM STATEMENT**

Chapters 1222 and 1239, Statutes of 1984, established the California Tahoe Conservancy and designated it as the lead agency for purposes of implementing the \$85 million Tahoe Bond Act of 1982 and acquiring environmentally sensitive and other undeveloped lands in the Lake Tahoe Basin. The lands to be acquired include those that are (1) located within stream environment zones and threatened with development, and (2) providing lakeshore access to the public, preservation of wildlife habitat or a combination of benefits.

The conservancy has broad authority to (1) establish its own acquisition policies, (2) make grants to nonprofit organizations, state, federal, and local agencies for buying property, and (3) manage and lease lands acquired with bond proceeds.

The conservancy has a seven-member governing board composed of the Secretary of Resources and the Director of Finance, plus one member each appointed by the South Lake Tahoe City Council, the Placer County Board of Supervisors, the El Dorado County Board of Supervisors, the Senate Rules Committee, and the Speaker of the Assembly. In addition, a representative of the U.S. Secretary of Agriculture serves as an ex officio, nonvoting member.

The conservancy's office is located in South Lake Tahoe. It has 12.5 authorized positions in the current year.

**OVERVIEW OF THE BUDGET REQUEST**

The 1986-87 budget proposes appropriations for the conservancy from state funds totaling \$999,000, consisting of \$699,000 from the General Fund and \$300,000 from the Lake Tahoe Acquisitions (Bond) Fund. This amount is \$2,235,000, or 69 percent, less than estimated current-year expenditures financed from the General Fund, the Lake Tahoe Acquisitions Fund, the California Environmental License Plate Fund, and the Energy and Resources Fund. The decrease in state support, however, does not signal a reduction in program activities, but rather a shift in the source of funding for erosion control projects from state to federal funds. When federal funds are included, the conservancy's proposed budget for 1986-87 increases to \$6,039,000 and actually exceeds current-year expenditures by \$2,805,000 or 69 percent.

As shown in Table 1, the increase of \$2,805,000 proposed for 1986-87 reflects the following changes:

- Increased funding for local assistance grants for erosion control projects in the Tahoe Basin (\$2,663,000).
- Funds for the management of environmentally sensitive properties acquired under the bond act (\$80,000).

- Adjustments to personal services totaling \$62,000 to (1) reflect actual salaries and benefits of staff hired above the first step of the applicable salary range (\$25,000), (2) establish an overtime blanket (\$6,000), and (3) provide funds for staff salary and benefit increases (\$31,000).

**Table 1**  
**California Tahoe Conservancy**  
**Proposed Budget Changes, by Fund**  
**1986-87**  
**(dollars in thousands)**

	General Fund	Lake Tahoe Acquisitions Fund	Environmental License Plate Fund	Energy and Resources Fund	Federal Trust Fund	Total
1984-85 Expenditures (revised) .....	\$557	\$300	\$377	\$2,000	—	\$3,234
Proposed Changes:						
Workload and Administrative Adjustments:						
1. Salary and Benefit Increase .....	62	—	—	—	—	62
Program Changes:						
1. Local Assistance Grants for Erosion Control Projects .....	—	—	—377	—2,000	5,040	2,663
2. Property Management .....	80	—	—	—	—	80
1986-87 Expenditures (Proposed) .....	\$699	\$300	—	—	\$5,040	\$6,039
Change from 1985-86						
Amount .....	\$142	—	—\$377	—\$2,000	\$5,040	\$2,805
Percent .....	25.5%	—	—100.0%	—100.0%	NMF	86.7%

NMF = not a meaningful figure

## ANALYSIS AND RECOMMENDATIONS

### Tort Immunity

*We recommend that the Legislature enact legislation extending until January 1, 1989 the tort immunity granted to the conservancy and other agencies holding "unimproved" property acquired with Lake Tahoe Acquisitions Bond funds.*

Government Code Section 831.2 provides that no public agency or public employee may be held liable for an injury caused by a natural condition of any unimproved public property. Chapter 1222, Statutes of 1984, broadens this immunity until January 1, 1987 to include any injury occurring on property acquired with conservancy funds which is located in partially improved subdivisions where the injury resulted from the natural condition of the property.

The conservancy is in the process of acquiring numerous parcels which are scattered throughout the basin. Many of these parcels will not be actively managed. The physical condition of the property, and natural conditions in the basin such as snow avalanches and land slippage, could result in injuries to persons or neighboring property. These injuries, however, would not result from any action or negligence on the state's part, but rather from natural conditions that would not be subject to tort liability under Section 831.2 but for the fact that these lots may be in a subdivision with roads or other improvements (none of which were constructed by the state).

**CALIFORNIA TAHOE CONSERVANCY—Continued**

Because the conservancy will not have acquired any lands until late in the current year, it may not have any experience with the application of this tort immunity before the provision sunsets. Consequently, there will be little or no information on which the Legislature may judge the need for continuing this policy. In order that the Legislature may have information on which to evaluate the desirability of this provision, we recommend that legislation be enacted extending the tort immunity for Tahoe acquisitions for another two years until January 1, 1989.

**Local Assistance—Soil Erosion Project Grants**

*We recommend (a) that the conservancy explain during budget hearings why it is not complying with a Budget Act requirement in the current year to fund the most beneficial projects, (b) adoption of Budget Bill language requiring projects funded in 1986–87 to result in a significant minimum level of sediment reduction for every state dollar spent and (c) adoption of supplemental report language requiring the conservancy to develop a list ranking all erosion control projects still needing funding in the Tahoe Basin based on priority categories.*

The budget requests a total of \$5,040,000 from the Federal Trust Fund for local assistance grants to the City of South Lake Tahoe, and Placer and El Dorado Counties for erosion control projects in the Tahoe Basin. These funds will be available for expenditure to the extent that California receives its share of federal offshore oil revenues pursuant to Section 8(g) of the federal Outer Continental Shelf Lands Act. (For a more detailed discussion of Section 8(g) funds, please see *The 1986–87 Budget: Perspectives and Issues*.)

According to the regional water quality control board, the estimated cost of completing all of the erosion control projects in the Tahoe Basin needed to improve the water quality of the lake is approximately \$90 million. Through 1985–86, \$20 million has been made available for soil erosion control projects in the basin from various sources.

The Budget Bill contains language allocating \$1,040,000 of the requested amount to three local jurisdictions. The conservancy indicates that these funds will be used for the following four specific projects:

- **Kingswood West Subdivision, Placer County (\$350,000).** This project includes stabilization of eroding slopes with a combination of vegetation and riprap, rock lining of earth ditches, and the installation of sediment basins.
- **Echo View Estates (\$240,000) and Montgomery Estates (\$300,000), El Dorado County.** The proposed projects will provide mechanical stabilization, such as rock retaining walls, of roadside slopes along public roads and regrading of slopes to a stable angle before covering them with vegetation. These amounts will be used to complete a portion of the overall erosion control work that needs to be done in Echo View Estates and Montgomery Estates.
- **Regan Beach, City of South Lake Tahoe (\$150,000).** This lake-front park was created by filling the area behind 950 linear feet of bulkhead installed along the waterfront. The proposed erosion control project would involve reconstruction of the bulkheads. The funds will be used to complete a portion of the overall reconstruction that needs to be done.

The remaining \$4 million is requested for unspecified erosion control

projects. The conservancy plans to allocate these funds in the same manner as it is allocating \$2 million appropriated in the current year for this purpose from the Energy and Resources Fund. Of the total amount, 75 percent (\$1.5 million) is being allocated to local jurisdictions on a percentage basis. Local public utility districts will receive 8.3 percent of this amount (\$125,000). The three local governments will receive allocations from the remainder based on the percentage of the total estimated cost of erosion control projects which are located within each geographic area. The State Water Resources Control Board's 1980 Lake Tahoe Basin Water Quality Plan is being used as the basis for the distribution.

Each jurisdiction proposes projects for funding from its allocation. The conservancy bases its final approval on a number of criteria, including cost-effectiveness, implementability, and a determination that the project will result in a "significant" benefit to Lake Tahoe.

The remaining 25 percent of the current-year appropriation (\$500,000) is being awarded solely on the merits of individual project applications received by the conservancy.

***Grant Selection Method Inconsistent with Budget Act Language.*** The 1985 Budget Act included language in Item 3125-101-190 specifying that the \$2 million appropriated in the current year was to be used for projects the conservancy determined would have the "greatest potential" for reducing the effects of soil erosion and sediment discharge into the waters of the Lake Tahoe region. The conservancy's method of allocating the funds does not insure that this requirement is met.

Since the conservancy does not evaluate grant proposals on a competitive basis between jurisdictions, some high priority projects may not be funded in one jurisdiction while relatively lower priority projects in another jurisdiction are funded. Even within each jurisdiction, there is no mechanism to insure that projects with the greatest potential for reducing erosion sedimentation will be funded. Therefore, the conservancy's method of funding grants is not consistent with the Budget Act requirement that funds be allocated to the erosion control projects with the *greatest* potential for benefit. We recommend that the conservancy report during budget hearings on why it is not meeting the requirements of Budget Act language in the current year.

***Priority List Needed.*** In order to comply with the Legislature's directive that the conservancy fund the most beneficial projects, we recommend that the conservancy develop a priority list of erosion control projects in the basin for use in allocating the available funds. The primary consideration in developing the list should be the estimated amount of sediment reduction that would result for each state dollar spent. We recognize that it may be difficult to rank the projects in strict numerical order. Therefore, we recommend that the conservancy be granted the flexibility to establish priority categories.

Each of the three local jurisdictions on the California side of the basin already has a priority list of erosion control projects within its area. These lists are based primarily on the general potential for sediment reduction and project cost. However, the local jurisdictions have not estimated the specific amount of sediment reduction that will result from the projects on these lists. We recommend that the conservancy (1) ask each jurisdiction to revise its list based on conservancy criteria and (2) review the individual lists and combine them into one overall priority list of erosion control projects for the basin.

***Implementation Considerations.*** Our analysis indicates that the

**CALIFORNIA TAHOE CONSERVANCY—Continued**

length of time required for the conservancy to receive and review applications for erosion control grants and allocate funds, as well as the amount of time that would be required to prepare a basinwide priority list, probably would preclude the use of this list in allocating funds during 1986–87. Even so, we recommend that the Legislature approve the \$5,040,000 requested in the budget for erosion control projects. This is because delaying projects will lead to faster deterioration of Lake Tahoe's water quality. In order to provide the Legislature with adequate assurances that projects with a significant benefit are funded in 1986–87, we recommend the adoption of the following Budget Bill language in lieu of language contained in Item 3125-101-890:

"The funds appropriated in this item shall be available for expenditure only for those soil erosion control projects that the conservancy determines will result in a significant minimum level of estimated sediment reduction per state dollar spent."

We further recommend that the Legislature eliminate the language contained in the Budget Bill. This language specifies (1) how the \$1,040,000 is to be allocated between the local jurisdictions and (2) that the \$4 million appropriated for unspecified projects shall be used for projects the conservancy determines will have the "greatest potential" for reducing the effects of soil erosion on the waters of Lake Tahoe.

We believe that *all* projects funded by the conservancy in 1986–87 should be required to meet a significant minimum level of sediment reduction per state dollar spent. Because the conservancy has not yet evaluated the four specific projects designated to receive a portion of the \$1,040,000 on that basis, or compared them with other projects, we recommend deletion of the first Budget Bill provision.

The second provision in this item is identical to the language contained in the 1985 Budget Act with which the conservancy has not complied. Given the conservancy's lack of compliance with this language, however, we believe that the more specific procedure required in our recommended language will be more likely to obtain compliance and ensure that highly beneficial projects are funded.

We recommend that the basinwide priority list of erosion control projects discussed above be used to allocate *future* erosion control appropriations. Further, because all projects may not be ready for implementation in any given year, we recommend that the conservancy be given the flexibility to fund lower priority projects, if higher priority projects cannot be implemented in that year.

In order to implement this recommendation, we recommend that the Legislature adopt the following supplemental report language:

"The California Tahoe Conservancy shall require each of the local jurisdictions receiving local assistance grants from the conservancy for erosion control projects to prepare a prioritized list of all erosion control projects yet to be funded within its geographic area. The lists shall rank projects based on criteria established by the conservancy. The primary criterion shall be the estimated amount of sediment reduction that will result from a project for every state dollar spent. The conservancy may develop priority categories rather than requiring strict ranking of projects.

"The conservancy shall combine the lists it receives from the local jurisdictions into one priority list of all erosion control projects awaiting



funding on the California side of the Tahoe Basin. The conservancy shall submit this list to the Legislature prior to hearings on the 1987-88 budget. It is the intent of the Legislature that the list be used as the basis for the allocation of funds to specific erosion control projects by the conservancy in 1987-88 and thereafter."

### **Property Management**

*We withhold recommendation on \$80,000 requested from the General Fund for management of environmentally sensitive lands, pending receipt of more detailed information on the level of staffing that will be required to implement the program.*

The budget requests \$80,000 from the General Fund for the management of environmentally sensitive lands acquired under the Lake Tahoe Acquisitions Bond Act.

The conservancy estimates it will acquire between 1,000 and 1,500 parcels in the current year, resulting in the need for resources to manage the lands in 1986-87. Because funds from the Lake Tahoe Acquisitions Bond Act cannot be used for property management, the conservancy budget requests an appropriation from the General Fund for this purpose. The \$80,000 requested would be used to contract both with other state agencies (\$45,000) and with private contractors (\$35,000). Activities funded would include erosion control projects and on-site maintenance such as removal of diseased trees, trash removal, and removal of encroachments from adjacent properties.

In addition to the activities that would be contracted out, the property management program also would involve a number of other activities, including:

- On-site inspections of all lands acquired to identify maintenance and erosion control needs.
- Negotiating and monitoring service agreements for on-site maintenance and erosion control improvements with other agencies, organizations, and firms.
- Responding to inquiries and complaints regarding conservancy-owned lands.
- Negotiating and executing land exchanges, transfers, and sales of properties in order to consolidate or reduce the need for property management activities.

These activities will increase the conservancy's workload, possibly resulting in the need for additional staff. The budget, however, does not provide any staff or resources for these activities. Consequently, the budget provides an incomplete picture of property management activities in the budget year.

According to the conservancy, additional staffing needs will be addressed during the March budget revision process. At that time, better information should be available on the progress of the acquisition program and the resulting need for property management activities during 1986-87.

The need for contract funds can be assessed better in the context of the overall level of funding and staff required for property management activities. Therefore, we withhold recommendation on the \$80,000 requested by the conservancy to fund property management contracts in 1986-87, pending receipt of more detailed information on total property management needs in the budget year.

---

CALIFORNIA TAHOE CONSERVANCY—CAPITAL OUTLAY

Item 3125-301 from the Lake  
Tahoe Acquisitions (Bond)  
Fund and Federal Trust Fund

Budget p. R 4

Requested 1986-87 .....	\$30,000,000
Recommended Approval .....	25,800,000
Recommendation pending .....	4,200,000

SUMMARY OF MAJOR ISSUES AND RECOMMENDATION

Analysis  
page  
373

1. Federal 8(g) Funds. Recommend that the Legislature (a) approve \$10.8 million requested from the Federal Trust Fund to settle court cases and (b) adopt Budget Bill language specifying that these funds shall be available only for acquisitions recommended by the Attorney General in connection with court settlements. Withhold recommendation on \$4.2 million, pending review of a project priority list, cost estimates, and project justifications.

OVERVIEW OF THE BUDGET REQUEST

The budget proposes appropriations totaling \$30 million from the Lake Tahoe Acquisitions (Bond) Fund (\$15 million) and the Federal Trust Fund (\$15 million) to finance the California Tahoe Conservancy's capital outlay program for 1986-87.

ANALYSIS AND RECOMMENDATIONS

Bond Funds

*We recommend approval.*

The conservancy requests \$15 million in bond funds to purchase undeveloped property at Lake Tahoe, pursuant to the 1982 Lake Tahoe Acquisitions Bond Act. The funds also would be available for use in making local assistance grants to other public agencies. The conservancy estimates that between 900 to 1,200 individual lots can be acquired with these funds.

The Budget Bill contains language specifying that conservancy acquisitions valued at less than \$250,000 are exempt from Public Works Board review. This is consistent with Legislative policy in prior years.

The budget proposes to allocate the bond funds as follows:

1. \$11 million solely for acquisition of lands "threatened with development" that would adversely affect the Tahoe region's natural environment, with preference given to lands (a) within stream environment zones or (b) that are susceptible to erosion.
2. \$4 million (a) to augment the funds in (1) above or (b) for other types of acquisitions authorized in the 1982 Tahoe Bond Act, including acquisition of undeveloped lands providing (i) lakeshore access to the public, (ii) preservation of wildlife habitat, (iii) access to other public lands, or (iv) a combination of these benefits.

The budget document states that the conservancy will spend \$25 million

of the \$30 million in bond funds appropriated to it in 1985-86. The conservancy advises us, however, that it will spend only about \$15 million of the \$30 million in the current year. The remaining \$15 million would be available for expenditure in 1986-87. This would leave the conservancy with a total of \$30 million, for expenditure in 1986-87—\$15 million carryover plus \$15 million requested in the budget.

The request appears reasonable, given the conservancy's statutory mandate and the uncertainty inherent in estimating the number of lot owners who will accept the conservancy's offers. Accordingly, we recommend approval of the request as budgeted.

### **Federal 8(g) Funds**

*We recommend that the Legislature (a) approve \$10.8 million requested from the Federal Trust Fund to settle court cases and (b) adopt Budget Bill language specifying that these funds shall be available only for acquisitions recommended by the Attorney General in connection with court settlements. We withhold recommendation on the remaining \$4.2 million requested from the Federal Trust Fund, pending review of a project priority list, cost estimates and project justifications.*

The conservancy requests \$15 million from the Federal Trust Fund to (1) settle court cases, (2) purchase large parcels that generally would not qualify for Lake Tahoe Acquisitions Bond Act funds because they are partially developed, and (3) construct improvements on these lands. Site improvements, such as erosion control measures and trails, are not eligible for funding under the bond act.

These funds will be available to the extent that California receives its share of federal offshore oil revenues pursuant to Section 8(g) of the federal Outer Continental Shelf Lands Act. (For a more detailed discussion of Section 8(g) funds please see *The 1986-87 Budget: Perspectives and Issues*.)

The conservancy also received an appropriation of \$5 million from federal Section 8(g) funds in Ch 1602/85 (SB 1391). This amount is available to the conservancy until 1987-88 for acquisitions, grants and improvements in the Lake Tahoe region.

The court cases that the conservancy proposes to settle with these funds involve suits by private landowners against the Tahoe Regional Planning Agency or the former California Tahoe Regional Planning Agency. According to the conservancy, these funds would be used to settle only those cases where the land has value in terms of enhanced recreation and access or environmental protection.

The conservancy also proposes to use these funds to acquire other large parcels for purposes of enhanced recreation and access, protection of environmentally sensitive lands from development, preservation of open-space areas, and restoration of fish habitats and spawning areas.

Generally, the properties which the conservancy proposes to acquire with these funds would not qualify for funding under the bond act because there are improvements on the property. According to its staff, the conservancy will seek out other public agencies to manage the properties.

**Recommendation.** The exact amounts needed to acquire the parcels subject to potential court settlements have not been determined. Based on information provided by the conservancy, however, \$10.8 million of the requested funds should be adequate to purchase those parcels for which the California Attorney General is expected to recommend acquisition as a means of settlement. We recommend approval of the \$10.8

**CALIFORNIA TAHOE CONSERVANCY—CAPITAL OUTLAY—Continued**

million requested to purchase these properties. We further recommend that the Legislature adopt the following Budget Bill language, in order to insure that adequate funds are available from the appropriation to purchase lands where the Attorney General recommends acquisition as a means of settling litigation:

“Of the amount appropriated in this item, \$10.8 million shall be available only for acquisitions recommended by the Attorney General as part of a court settlement.”

The remaining \$4.8 million will be used to purchase parcels which are not involved in litigation. The cost of acquiring these parcels will be based on fair market value. Consequently, the conservancy should be able to indicate to the Legislature what specific parcels it proposes to acquire and what site improvements it proposes to construct with these funds. Accordingly, we recommend that the conservancy provide to the Legislature, prior to budget hearings, a list of the properties it intends to acquire with the remaining \$4.8 million, in priority order. This list should include the following information for each property: (1) the estimated cost of the property, (2) the specific purpose to be served by acquisition, (3) the potential for management by other agencies, (4) what portion of the acquisition would be eligible for funding from the Lake Tahoe Acquisitions (Bond) Fund, and (5) what site improvements the conservancy proposes to construct on the property and the cost of each.

We withhold recommendation on these funds, pending review of this information.

---

---

---

**STATE ASSISTANCE FUND FOR ENERGY, CALIFORNIA  
BUSINESS AND INDUSTRIAL DEVELOPMENT CORPORATION**

Item 3300 from the State Energy Loan Fund Account, General Fund

Budget p. R 10

---

Requested 1986-87 .....	\$260,000
Estimated 1985-86.....	250,000
Actual 1984-85 .....	236,000
Requested increase \$10,000 (+4 percent)	
Total recommended reduction .....	None

---

**GENERAL PROGRAM STATEMENT**

The State Assistance Fund for Energy, Business and Industrial Development Corporation (SAFEIDCO) was created by Chapter 819/80. The SAFEIDCO is not a state agency. Rather, it is a nonprofit corporation that makes loans to small businesses involved in alternative energy production or energy conservation. The corporation has a nine-member board of directors that consists of the Secretary of the Business, Transportation and Housing Agency, the State Controller, a member of the Energy Commission, the President of the Corporation, one member appointed by the Senate Rules Committee, one member appointed by the Speaker of

the Assembly, and three members appointed by the Governor.

The corporation obtains federal Small Business Administration (SBA) guarantees for up to 90 percent of each loan it makes. It then sells the guaranteed portion of the loan to investors, and uses the proceeds to make additional loans. As a result, SAFEBCO could have loans outstanding with a principal amount that is 10 times the amount of state funds provided to the corporation.

The corporation finances its operating expenses from two sources: (1) the difference between the interest rate charged by the corporation to loan recipients and the 6 percent interest rate paid by the corporation to the state on the corporations outstanding indebtedness and (2) the premiums paid by investors to the corporation for the portion of the loans guaranteed by the SBA. (Investors pay a premium for these loans because they earn more interest than other U.S. Government-backed securities, such as Treasury Bonds.)

### OVERVIEW OF THE BUDGET REQUEST

The budget proposes an appropriation of \$260,000 from the State Energy Loan Fund (SELF) to SAFEBCO in 1986-87. This is the maximum amount of loan repayments the corporation expects to deposit in the SELF during 1985-86. (Repayments to the SELF in 1986-87 will not be made until June 30, 1987 and, therefore, will not be available until 1987-88.

Division 15.5 of the Financial Code authorized the transfer of \$1.5 million from the General Fund and \$1 million from the Energy Resources Programs Account in the General Fund to the SELF. The statute allows the corporation to borrow any money from the SELF for a term of up to 20 years, at an annual percentage interest rate of 6 percent. Chapter 819 continuously appropriates the funds in the SELF, allowing it to operate as a revolving loan fund. As a result, interest and principal repayments deposited in the fund can be re-loaned to the corporation. As of December 1985, the corporation had loaned a total of \$6.4 million to small businesses. It expects to loan approximately \$2 million in 1986-87.

The \$260,000 appropriation requested for 1986-87 is \$10,000, or 4 percent, more than the \$250,000 SAFEBCO expects to spend from the SELF during the current year. These funds will be used by SAFEBCO to make more loans to small businesses.

The budget document shows expenditures of only \$173,000 in 1986-87—or \$87,000 less than the proposed appropriation. The \$173,000 represents interest payments to the SELF. The balance of the appropriation represents loan repayments by SAFEBCO to the SELF which are netted against expenditures.

### ANALYSIS AND RECOMMENDATIONS

*We recommend approval.* The budget request appears reasonable and is consistent with the statutory policy established by the Legislature for funding SAFEBCO.

---

Resources Agency  
CALIFORNIA CONSERVATION CORPS

Item 3340 from the General  
Fund and Energy Resources  
Programs Account

Budget p. R 11

Requested 1986-87 .....	\$48,459,000
Estimated 1985-86.....	45,062,000
Actual 1984-85 .....	39,771,000
Requested increase \$3,397,000 (+ 7.5 percent)	
Total recommended reduction .....	611,000

1986-87 FUNDING BY ITEM AND SOURCE

Item—Description	Fund	Amount
3340-001-001—Support	General	\$36,556,000
3340-001-465—Support	Energy Resources Programs Ac- count, General	4,988,000
Reimbursements	—	6,915,000
Total		\$48,459,000

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS	Analysis page
1. <i>Expansion of Residential Program. Reduce Item 3340-001-001 by \$437,000 and reduce reimbursements by \$54,000.</i> Recommend deletion of \$491,000 and 3.8 personnel-years because the corps can achieve its expansion goal without these resources.	379
2. <i>Repairs and Renovations. Reduce Item 3340-001-001 by \$120,000.</i> Recommend elimination of \$120,000 requested for special repairs and renovations because the Conservation Corps has not specified where and how these funds will be used.	379
3. <i>Funding for Employee and Corpsmember Compensation. Reduce Item 3340-001-001 by \$177,000, increase Item 3340-001-465 by \$137,000, and increase reimbursements by \$40,000.</i> Recommend a General Fund reduction of \$177,000 and offsetting increases in the Energy Resources Programs Account (ERPA) and reimbursements to correct improper budgeting for staff and corpsmembers compensation increases.	380

GENERAL PROGRAM STATEMENT

The California Conservation Corps (CCC) was established by Ch 342/76 to (1) conserve and enhance the state's natural resources and environment and (2) provide meaningful on-the-job training and work experience, as well as educational opportunities, to California residents aged 18 through 23. The CCC was expanded by Ch 1710/84 and Ch 1606/85 to develop community conservation corps in neighborhoods with high concentrations of minority youth and youth unemployment.

The corps' headquarters is in Sacramento. It operates 18 residential base centers, 23 nonresidential satellites, and a corpsmember training academy

at Fricot City in Calaveras County. The corps also provides funding for 10 community conservation corps—7 sponsored by local governments and 3 sponsored by nonprofit organizations. A corpsmember's salary is based on the federal minimum wage, which is \$3.35 per hour (\$581 per month) in 1986. The budget for the current year provides funding for 2,170 corpsmembers-years plus 385.5 supervisory and administrative staff personnel-years.

**OVERVIEW OF THE BUDGET REQUEST**

The budget proposes total expenditures of \$48,459,000 for support of the CCC in 1986-87. This is an increase of \$3,397,000, or 7.5 percent, over total estimated current-year expenditures, as shown in Table 1. The \$48,459,000 consists of \$36,556,000 from the General Fund, \$4,988,000 from the Energy Resources Programs Account (ERPA) in the General Fund, and \$6,915,000 in reimbursements (\$3,122,000 of which will be paid by other state agencies). Table 1 also shows that the budget would increase the corps administrative and supervisory staff by 16.5 personnel-years.

**Table 1**  
**California Conservation Corps**  
**Budget Summary**  
**1984-85 through 1986-87**  
**(dollars in thousands)**

Program	Personnel-Years			Expenditures			Percent Change from
	Actual	Est.	Prop.	Actual	Est.	Prop.	
	1984-85	1985-86	1986-87	1984-85	1985-86	1986-87	
Orientation and Training Academy .....	27.7	27.6	28.6	\$2,992	\$3,083	\$3,170	2.8%
Base and Fire Centers .....	260.6	256.2	269.8	33,670	37,227	40,311	8.3
Energy Program .....	21.2	23.8	23.8	2,201	2,377	2,432	2.3
Non-Residential Program .....	—	1.9	1.9	930	2,375	2,546	7.2
Administration <sup>a</sup> .....	77.1	76.0	77.9	(3,509)	(3,866)	(3,975)	2.8
Totals .....	386.6	385.5	402.0	\$39,793	\$45,062	\$48,459	7.5%
Funding Source							
General Fund .....				28,358	33,384	36,556	9.5
Energy Resources Programs Account, General Fund .....				4,709	4,995	4,988	-0.1
Reimbursements .....				6,704	6,683	6,915	3.5
Federal Trust Fund .....				22	—	—	—

<sup>a</sup> Funding for administration is distributed to other programs.

The budget does not include additional funding for Merit Salary Adjustments or inflation adjustments to Operating Expenses and Equipment. We estimate that the CCC will have to absorb approximately \$843,000 in such costs.

**Proposed Budget Changes for 1986-87**

Table 2 summarizes the proposed changes in the corps' budget for 1986-87. The table shows that the total proposed increase of \$3,397,000 is due to an increase of \$3,172,000 in General Fund support and an increase of \$232,000 in reimbursements, partly offset by a \$7,000 reduction in ERPA funds. The table also indicates that workload and administrative adjustments account for \$608,000 of the proposed increase, and three budget change proposals account for the remaining \$2,789,000 of the increase.

**CALIFORNIA CONSERVATION CORPS—Continued**

**Table 2**  
**California Conservation Corps**  
**Proposed Budget Changes, by Funding Source**  
**1986-87**  
**(dollars in thousands)**

	<i>General Fund</i>	<i>Other <sup>a</sup></i>	<i>Totals</i>
1985-86 Expenditures (revised) .....	\$33,384	\$11,678	\$45,062
Proposed Changes:			
A. Workload and Administrative Adjustments			
1. Salary and benefits increases .....	\$933	—	\$933
2. Full-year costs of Neighborhood Corps Program .....	125	—	125
3. Removal of one-time costs .....	-443	—	-443
4. Pro rata adjustment .....	—	-7 <sup>b</sup>	-7
Total Workload and Administrative Changes .....	\$615	-\$7	\$608
B. Budget Change Proposals			
1. Corps expansion (150 corpsmembers and 16.5 personnel-years) .....	\$1,995	\$232 <sup>c</sup>	\$2,227
2. Corpsmember merit pay .....	499	—	499
3. Computer maintenance .....	63	—	63
Total Budget Change Proposals .....	\$2,557	\$232	\$2,789
1986-87 Expenditures (Proposed) .....	\$36,556	\$11,903 <sup>d</sup>	\$48,459
Change from 1985-86:			
Amount .....	\$3,172	\$225	\$3,397
Percent .....	9.5%	1.9%	7.5%

<sup>a</sup> Energy Resources Programs Account (ERPA) and reimbursements.

<sup>b</sup> ERPA.

<sup>c</sup> Reimbursements.

<sup>d</sup> \$4,988,000 from ERPA and \$6,915,000 from reimbursements.

**ANALYSIS AND RECOMMENDATIONS**

We recommend approval of the workload and administrative adjustments shown in Table 2, as well as the two proposed budget changes discussed below.

**Corpsmember Merit Pay.** The budget requests \$499,000 from the General Fund to provide merit pay increases for corpsmembers. Corpsmembers would receive a 10 percent raise after they have completed four months of work in the corps and achieved a specific competency level. The CCC has established a set of guidelines for its supervisors to use in measuring the performance of individual corpsmembers for purposes of establishing competency. Along with a certificate of achievement, regular corpsmembers would receive a 34 cents raise over their \$3.35 hourly wage. Advanced corpsmembers (supergrades) would automatically receive a 39 cents raise over their \$3.85 hourly wage.

The minimum wage has not been increased since 1981. The merit pay increases proposed in the budget are partially intended to compensate for this. The increases, however, would bring about a change in the CCC's long-standing policy to pay corpsmembers no more than the federal minimum wage. By providing for a merit increase, the corps hopes to (1) retain more members in the corps and (2) expose corpsmembers to a performance evaluation and pay system similar to those found in regular jobs.

**Computer Maintenance.** The corps' 1986-87 budget requests \$63,000



from the General Fund for computer maintenance. These funds would be used to purchase computer software and other items that will enhance the CCC's information processing system.

### **Overexpansion**

*We recommend a General Fund reduction of \$437,000 and a reduction of \$54,000 in reimbursements in order to delete funds for 35 new corpsmembers-years and 3.8 personnel-years of staff because the CCC does not need an augmentation to support these corpsmembers or to provide for their supervision. (Reduce Item 3340-001-001 by \$437,000 and reduce reimbursements by \$54,000.)*

The budget for 1986-87 requests \$2,227,000 (\$1,995,000 from the General Fund and \$232,000 in reimbursements from corpsmembers' room and board and insurance payments) to fund the following:

- 150 additional corpsmembers for the corps' residential program (\$997,000).
- 16.5 personnel-years of staff to manage, train, and supervise the new corpsmembers (\$427,000).
- Increased operating expenses resulting from the expansion (\$683,000).
- Special repairs and renovations for 12 centers that will accommodate the additional corpsmembers (\$120,000). The request for special repairs and renovations will be discussed separately below.

There is no analytical basis for determining what the "right" size of the corps should be. Clearly, more projects could be found for the corps to do; at the same time, many corps projects, although beneficial, are not urgent or imperative.

In practice, the size of the corps has been limited by its inability to recruit and retain the full number of corpsmembers that the Legislature has funded. For example, the corps was unable to fill 101 budgeted corpsmember-years in 1984-85. The savings resulting from this shortfall was used, instead, for one-time facilities and operations costs. As of December 1, 1985, the corps was 35 corpsmember-years below its 1985-86 budget target. If this trend continues, we estimate that there will be a shortfall in 1985-86 equivalent to 84 budgeted corpsmember-years.

The corps has prepared a new recruitment plan, which it intends to implement in the current year, in order to increase the number of corpsmembers. Even if this plan is successful, however, it is unlikely that the corps will make up for the shortfall of 35 corpsmember-years that has already occurred. Accordingly, we believe that the corps can achieve its goal of increasing corpsmember strength by 150 if additional funding is provided for 115 corpsmember-years and associated staff. Funds needed to support the balance of the increase (35 corpsmember-years) are already in the corps' baseline budget. Accordingly, we recommend (1) a reduction of \$437,000 in Item 3340-001-001 and (2) a reduction of \$54,000 in reimbursements to delete funds for 35 corpsmember-years and 3.8 personnel-years.

### **Special Repairs and Renovations Not So Special**

*We recommend a General Fund reduction of \$120,000 to delete funds requested for renovating 12 CCC base and fire centers because the corps has not specified where and how the funds will be used.*

As part of its expansion proposal, the CCC has requested \$120,000 from

**CALIFORNIA CONSERVATION CORPS—Continued**

the General Fund to provide \$10,000 for special repairs and renovations to each of the 12 centers receiving an additional crew (12–15 corpsmembers) as a result of the expansion.

Although the corps has briefly described the repairs and renovations that would be needed, it has not specified which centers will be expanding, nor has it provided any detailed information on the projects to be funded. More importantly, staff at a number of centers have indicated to us that there is no need for any repairs or renovations in order to accommodate an additional crew.

Without specific information on which centers will need renovations, and a detailed description of what repairs will be made and the cost of these repairs, we have no basis on which to recommend approval of the corps' request. Accordingly, we recommend that Item 3340-001-001 be reduced by \$120,000 to delete the funds requested for special repairs and renovations.

**Appropriate Funding Sources Should Be Used for Salary and Benefits Increase and Corpsmember Merit Pay**

*We recommend (1) a reduction of \$177,000 requested from the General Fund and (2) offsetting increases of (a) \$137,000 from the Energy Resources Programs Account (ERPA) and (b) \$40,000 from reimbursements, because the full cost of CCC staff and corpsmembers in programs funded by ERPA and reimbursements should be provided from these sources.*

The budget requests \$933,000 from the General Fund for staff salary and benefit increases. While these funds would go to all staff members, we note that 20 personnel-years in the corps are funded by ERPA. These staff are assigned to the corps' energy programs and account for \$77,000 of the amount requested from the General Fund for salary and benefits increases in 1986–87.

The budget also requests \$499,000 from the General Fund for the corpsmember merit pay program. We estimate that in 1986–87, 252 corpsmember-years will be funded from the ERPA and 168 corpsmember years will be funded by reimbursements from other agencies. The cost of merit pay increases for these 420 corpsmembers would be approximately \$100,000.

The corps, however, has not requested an increase in ERPA or in reimbursements to cover these costs but, rather, has proposed that all of the money come from the General Fund. Since ERPA and reimbursements fund these personnel-years and corpsmember-years, these funding sources should provide for any wage and benefit increases that the staff and corpsmembers receive. Accordingly, we recommend that (1) Item 3340-001-001 be reduced by \$177,000, (2) Item 3340-001-465 be increased by \$137,000, and (3) reimbursements be increased by \$40,000.

---

**CALIFORNIA CONSERVATION CORPS—CAPITAL OUTLAY**

Item 3340-301 from the General  
Fund, Special Account for  
Capital Outlay

Budget p. R 15

---

Requested 1986-87 .....	\$185,000
Recommended approval .....	81,000
Recommended reduction .....	104,000

---

**ANALYSIS AND RECOMMENDATIONS****Minor Capital Outlay**

*We recommend that Item 3340-301-036(1), minor projects, be reduced by \$104,000 to eliminate funds for projects that have not been adequately justified.*

The budget proposes \$185,000 from the Special Account for Capital Outlay for eight minor capital outlay projects (\$200,000 or less per project) for the California Conservation Corps (CCC). These projects provide for modifications to eight CCC centers in various parts of the state.

*We recommend approval of \$39,000* for three projects. These projects are: (1) \$12,000 for installation of two additional showers at the Delta Center, (2) \$12,000 for a water storage tank at the El Dorado Center, and (3) \$15,000 for a walk-in refrigerator at the Butte Center. The scope and cost of these projects are reasonable and should proceed.

*We recommend a reduction of \$94,000* to eliminate funding for two projects, and reduce funding for portions of two other projects. These projects are as follows:

- **Walk-in Refrigerator/Freezer—Camarillo (\$23,000).** We recommend deletion of the requested amount because the existing refrigerators and freezers are only seven years old. Equipment of this type normally has a usable life that exceeds seven years. Moreover, although the department indicates that the equipment is inconveniently located, no data has been provided to show that the equipment is either inoperable or failing.
- **Fencing—Sequoia (\$18,000).** The budget proposes the installation of an eight-foot high chain link fence around a parking lot and basketball court to prevent Porterville State Hospital clients from entering these areas. We recommend deletion of the requested amount because the corps has not documented a security problem at this facility.
- **Kitchen Addition—Oat Mountain (\$28,000).** We recommend deletion of \$16,000 requested for a 226 square foot cinder block addition to the dining room. This addition would provide space for three freezers that currently are located in the dining area. The department has not provided any information to indicate what the problems are that the new wall would solve. The balance of the \$28,000 request (\$12,000) is for a walk-in freezer. The new freezer is warranted because the department will be able to discontinue the rental of food lockers at \$1,800 per year.
- **Remodel of Water System—Placer Energy (\$47,000).** We recommend deletion of \$37,000 requested for a 30,000 gallon storage tank, a backwash filter tank, a concrete pad, and labor associated with these

**CALIFORNIA CONSERVATION CORPS—CAPITAL OUTLAY—Continued**

items because the corps has not demonstrated that additional water storage is needed. This project also includes \$10,000 for turbidity control to improve drinking water quality at the center. This control is warranted and we recommend approval of the \$10,000.

*We recommend a reduction of \$10,000* to eliminate overbudgeting of the project to install 24 doors at the San Francisco Center. This work should only cost \$20,000, not \$30,000. Based on published construction cost estimating guidelines, the average cost of materials and labor for the doors and panic hardware proposed by the corps should cost an average of \$833 per door or \$20,000 total cost. Consequently, the corps has overbudgeted the project by \$10,000.

---

**CALIFORNIA CONSERVATION CORPS—REVERSION**

Item 3340-495 to the General  
Fund

Budget p. R 11

---

**ANALYSIS AND RECOMMENDATIONS**

*We recommend approval.*

The budget proposes to revert the unexpended balance (\$84,000) of the appropriation in Ch 1710/84 to the unappropriated surplus of the General Fund. Chapter 1710 appropriated \$1,900,000 from the General Fund in 1984-85 to create the California Conservation Corps' Neighborhood Program. Although Chapter 1710 limited the expenditure of these funds to 1984-85, it did not limit the appropriation to 1984-85, thereby allowing the appropriation to be effective for three years. In order to make the remaining \$84,000 available for other purposes, we recommend approval of this reversion item.

---

## Resources Agency

ENERGY RESOURCES CONSERVATION AND DEVELOPMENT  
COMMISSION

Item 3360 from various funds

Budget p. R 16

Requested 1986-87 .....	\$40,907,000
Estimated 1985-86.....	52,487,000
Actual 1984-85 .....	33,096,000
Requested decrease \$11,580,000 (-22 percent)	
Total recommended reduction .....	9,097,000
Recommendation pending .....	10,504,000

## 1986-87 FUNDING BY ITEM AND SOURCE

Item—Description	Fund	Amount
3360-001-031—Assistance to agriculture and forestry waste-to-energy projects	State Agricultural and Forestry Residue Utilization Account, General	\$1,500,000
3360-001-033—Energy conservation loans to schools, hospitals, and local governments	State Energy Conservation and Assistance Account, General	5,890,000
3360-001-044—Support	Motor Vehicle Account, State Transportation	90,000
3360-001-465—Support	Energy Resources Programs Account, General	28,608,000
3360-001-890—Support	Federal Trust	(2,689,000)
3360-011-465—Transfer to Energy Technologies Research, Development and Demonstration Account	Energy Resources Programs Account, General	(2,200,000)
3360-011-479—Energy technology grants and loans	Energy Technologies Research, Development and Demonstration Account, General	2,200,000
3360-101-001—Grant for waste-to-energy project	General	167,000
3360-101-034—Grants to local governments with geothermal resources	Geothermal Resources Development Account, General	2,452,000
Total		\$40,907,000

## SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

Analysis  
page

1. Consultant Contracts. Withhold recommendation on \$5,700,000 from the Energy Resources Programs Account (ERPA) requested for twenty-eight consultant contracts, pending further review of the commission's proposals. 388
2. *Biennial Development Report. Reduce Item 3360-001-465 by \$190,000.* Recommend reduction of funds requested from the ERPA for contract assistance in collecting data for the biennial energy development report because the commission assured the Legislature that preparation of the report would not impose any net cost. 390
3. *Oil Industry Investment Decisions. Reduce Item 3360-001-465 by \$350,000.* Recommend reduction of funds requested from the ERPA for contract assistance in analyzing 391

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

oil industry investment decisions because the commission does not have either the responsibility to analyze the industry's investment decisions or the authority to effect a change in those decisions.

4. ***New Business Welcome Wagon. Reduce Item 3360-001-465 by \$300,000.*** Recommend reduction of funds requested from the ERPA for a contract to assist new businesses entering California to reduce their energy costs because the commission's existing energy and conservation programs are already available. 391
5. ***Power Plant Siting Workload.*** Withhold recommendation on \$4,504,000 requested from the ERPA and 52.7 personnel-years of staff for the power plant siting program, pending receipt of (a) updated workload estimates, and (b) an analysis of the cost-effectiveness of contracting versus hiring additional staff. 392
6. ***Power Plant Siting—Application Fees.*** Recommend Legislature enact legislation requiring the commission to charge third-party developers fees to cover the cost of processing power plant siting applications, because fees (a) would eliminate subsidies now provided by utility ratepayers and (b) could reduce the commission's cost of handling peak workload. 393
7. ***Energy Conservation Assistance Act. Delete Item 3360-001-033.*** Recommend that \$5,890,000 requested from the Energy Conservation Assistance Account (ECAA) for energy conservation loans to schools, hospitals and local governments be deleted because (1) the commission has given unauthorized interest rate subsidies on their loans, costing the state approximately \$8.2 million, and (2) the commission indicates that there is not sufficient demand for new loans as the program currently is structured. Further recommend the transfer to the General Fund of (a) all unappropriated balances in the ECAA as of July 1, 1986, and (b) all future revenue to the account. 393
8. ***Lassen College Waste-to-Energy Cogeneration Project. Delete Item 3360-101-001.*** Recommend that \$167,000 requested from the General Fund for support of a testing and monitoring program at the Lassen Community College waste-to-energy cogenerating facility be deleted, because operation of the facility probably is not economical and future operations of the plant are highly uncertain. 396
9. ***Energy Technology Grants and Loans. Delete Item 3360-011-479 and Item 3360-011-465.*** Recommend that \$2,200,000 requested from the Energy Technologies Research, Development and Demonstration Account (ETRDDA) for additional grants and loans to energy technology research, development and demonstration projects be deleted, because the commission has not granted or loaned any of the \$6 million appropriated to date for this purpose. Further recommend that the proposed \$2,200,000 transfer from the ERPA to the ETRDDA be deleted. 397

10. Local Power Production Permit Assistance. Withhold 398  
 recommendation on \$300,000 requested from the ERPA for  
 local assistance to local governments in permitting  
 proposed power production, pending receipt and analysis  
 of specific grant proposals.

### GENERAL PROGRAM STATEMENT

The Energy Resources Conservation and Development Commission is a five-member full-time commission that is responsible for siting major electric power plants, forecasting energy supplies and demands, developing energy conservation measures, and carrying out a program of research and development involving energy supply, consumption, conservation, and power plant siting technology.

The commission, located in Sacramento, has 368 authorized positions in the current year.

### OVERVIEW OF THE BUDGET REQUEST

The budget proposes seven appropriations totaling \$42,407,000 from various state funds for support of the Energy Resources Conservation and Development Commission in 1986-87. This is a decrease of \$10,080,000, or 19 percent, from estimated current-year expenditures.

The budget proposes *total* expenditures by the commission of \$45,096,000 in 1986-87, including expenditures of \$2,689,000 from federal funds. This is \$13,235,000, or 23 percent, less than the \$58,331,000 that the budget expects the commission to spend during the current year.

**Table 1**  
**Energy Commission**  
**Budget Summary**  
**1984-85 through 1986-87**  
**(dollars in thousands)**

Program	Personnel-Years			Expenditures			Percent Change From 1985-86
	Actual 1984-85	Est. 1985-86	Prop. 1986-87	Actual 1984-85	Est. 1985-86	Prop. 1986-87	
Regulatory and planning .....	129.1	147.6	147.6	\$9,790	\$14,938	\$11,784	-21.1%
Energy resources conservation .....	45.8	41.5	41.5	10,920	18,364	12,408	-32.4
Development .....	60.3	66.2	66.2	11,312	18,710	13,515	-27.8
Policy, management and administra- tion .....	103.7	96.8	98.7	6,237	6,319	7,389	16.9
Totals .....	338.9	352.1	354.0	\$38,259	\$58,331	\$45,096	-22.7%
Funding Source							
Energy Resources Programs Account .....				\$20,972	\$27,709	\$29,108	4.8%
Energy Conservation Assistance Account .....				5,231	11,000	5,890	-46.5
State Agricultural and Forestry Residue Utilization Account .....				1,754	4,633	1,500	-67.6
Geothermal Resources Development Account .....				4,650	2,200	2,452	11.5
Energy and Resources Fund .....				-380	1,688	—	-100.0
Other state funds .....				852 <sup>a</sup>	257 <sup>b</sup>	257 <sup>b</sup>	—
Federal Trust Fund .....				5,163	5,844	2,689	-54.0
Reimbursements .....				17	—	—	—

<sup>a</sup> Special Account for Capital Outlay.

<sup>b</sup> General Fund (\$167,000), and MVA (\$90,000).

## ENERGY RESOURCES CONSERVATION AND DEVELOPMENT COMMISSION —Continued

The decreases in state-supported and total expenditures shown in the budget are inflated. This is because proposed expenditures in 1986-87 do not reflect all of the costs that the commission anticipates under its power plant siting program. Current-year expenditures includes \$4.6 million for contracts to assist the commission in processing power plant siting workload, including \$3.2 million proposed as a deficiency augmentation. The budget for 1986-87, however, does not request any additional staff or contract assistance for power plant siting. Commission staff advise us that they expect power plant siting workload to be at least as great in 1986-87 as it is in the current year.

The budget does not include additional funding for Merit Salary Adjustments or inflation adjustments to operating expenses. The commission estimates that it will have to absorb approximately \$447,000 in such costs.

Table 1 summarizes commission expenditures, by funding source, since 1984-85.

### Significant Budget Changes

Table 2 summarizes the changes in the commission's budget proposed for 1986-87, by funding source.

**Table 2**  
**Energy Commission**  
**Proposed 1986-87 Budget Changes**  
**(dollars in thousands)**

	<i>Energy Resources Programs Account</i>	<i>Other State Funds</i>	<i>Federal Funds</i>	<i>Totals</i>
1985-86 Expenditures (Revised) .....	\$27,709	\$24,778	\$5,844	\$58,331
Proposed 1985-86 deficiency appropriation .....	(3,198)	—	—	(3,198)
A. Workload and Administrative Adjustments				
1. Deletion of 1985-86 contracts ....	-4,034	—	-50	-4,084
2. Salary and benefit adjustments ..	872	—	—	872
3. Deletion of one-time federal funds .....	—	—	-1,855 <sup>a</sup>	-1,855
4. Increase in equipment .....	287	—	—	287
5. Other adjustments .....	541	—	—	541
6. Increase in service contracts .....	165	—	—	165
B. Program Changes				
Regulatory and Planning Program				
1. Contracts for energy demand and supply assessment .....	2,140	—	—	2,140
2. Power plant siting contracts .....	306	—	—	306
3. Increase in local power plant siting assistance .....	169	—	—	169
4. Deletion of 1985-86 power plant siting workload contract .....	-4,598	—	—	-4,598
Conservation Program				
5. Contracts related to energy conservation .....	3,061	—	50	3,111
6. Reduction in energy conservation loans to schools, hospitals and local governments .....	—	-5,110 <sup>b</sup>	—	-5,110



7. Reduction in federal energy conservation grants .....	(1,300)	(1,300)	-1,300	-1,300
Development Program				
8. Contract for energy assistance to new businesses .....	300	—	—	300
9. Other contracts in energy development .....	1,665	—	—	1,665
10. Decrease in ETRDDA grants and loans .....	(2,200) <sup>c</sup>	-1,800 <sup>d</sup>	—	-1,800
11. Reduction in biomass energy loans .....	—	-3,133 <sup>e</sup>	—	-3,133
12. Increase in geothermal grants....	—	252 <sup>f</sup>	—	252
13. Reduction in methanol car demonstration and funding shift .....	300	-1,688 <sup>g</sup>	—	-1,388
14. Continuation of assistance to Lassen College waste-to-energy project .....	—	(167) <sup>h</sup>	—	(167)
Miscellaneous Items				
15. Contract with California State University for workload assistance .....	225	—	—	225
1986-87 Expenditures (Proposed) .....	\$29,108	\$13,299	\$2,689	\$45,096
Change from 1985-86				
Amount .....	\$1,399	-\$11,479	-\$3,155	-\$13,235
Percent .....	5.0%	-46.3%	-54.0%	-22.7%

<sup>a</sup> Petroleum Violation Escrow Account funds.

<sup>b</sup> State Energy Conservation Assistance Account, General Fund.

<sup>c</sup> Transfer of \$2,200,000 from the Energy Resources Programs Account, General Fund, to the Energy Technologies Research Development and Demonstration Account (ETRDDA), General Fund.

<sup>d</sup> Reduction from ETRDDA from \$5 million in 1985-86 to \$3.2 million in 1986-87.

<sup>e</sup> State Agricultural and Forestry Residue Utilization Account, General Fund.

<sup>f</sup> Geothermal Resources Development Account, General Fund.

<sup>g</sup> Energy and Resources Fund.

<sup>h</sup> General Fund.

## ANALYSIS AND RECOMMENDATIONS

We recommend approval of the following proposed program changes which are not discussed elsewhere in this analysis:

**Contracts in Siting and Assessment Program.** The commission proposes a total of \$2,446,000 for fourteen contracts in its energy demand and supply assessment (\$2,140,000) and power plant siting (\$306,000) programs. We recommend approval of \$626,000 for eight of these contracts.

**Contracts in Energy Conservation Program.** The commission proposes a total of \$3,111,000 for twenty-six contracts in its energy conservation program. We recommend approval of \$356,000 for eight of these contracts.

**Contracts in Development Program.** The commission proposes a total of \$2,265,000 for eight contracts in its energy development program. We recommend approval of \$525,000 for two of these contracts.

**Other Contracts.** The commission requests \$795,000 for eight contracts in support of administration. We recommend approval of \$570,000 for seven of these contracts.

**Equipment.** The budget requests \$596,000 for equipment (copiers, word processors and computers), an increase of \$360,000 over estimated expenditures for equipment in the current year.

**ENERGY RESOURCES CONSERVATION AND DEVELOPMENT COMMISSION**  
**—Continued****The Commission's Use of Contracts Rising Sharply**

*We withhold recommendation on \$5,700,000 requested from the ERPA for twenty-eight consultant contracts, pending additional review of the commission's proposals.*

The commission's budget includes \$8.5 million from the ERPA to fund 56 contracts in 1986-87.

Chart I illustrates the recent growth in the commission's contract expenditures. It shows that the \$8.5 million proposed for contracts in 1986-87 is \$2.7 million, or 47 percent, more than estimated contract expenditures in 1985-86 excluding contracts for power plant siting. (We have excluded power plant siting contract expenditures to make the amounts in 1985-86 and 1986-87 comparable.) Furthermore, the proposed level of contract expenditures in 1986-87 is \$6.8 million, or *nearly 400 percent*, more than the commission's actual contract expenditures in 1983-84.

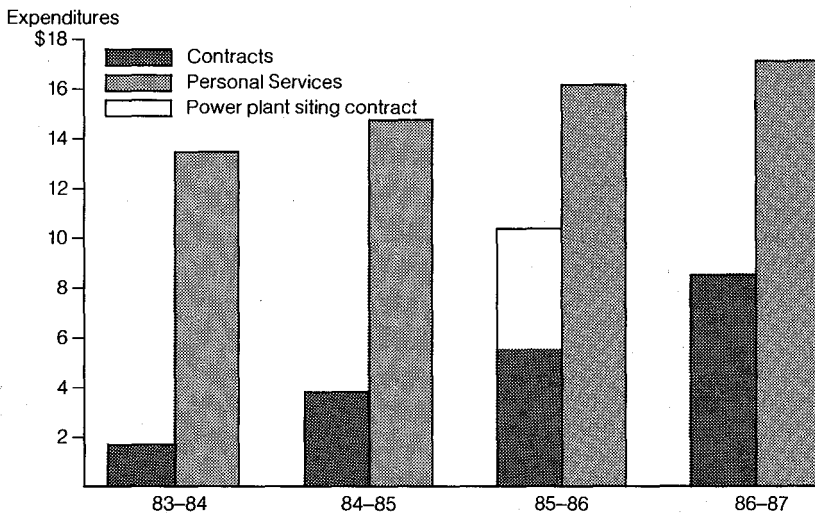
**Chart 1****Growth in Energy Commission Contracting Expenditures Compared with Personal Services Expenditures 1983-84 through 1986-87 (in millions)**

Chart I also illustrates the large increase in the commission's contract costs relative to the commission's personal services costs. In 1983-84, the commission's contract expenditures amounted to 13 percent of its personal services costs. Contract expenditures for 1986-87, by contrast, amount to 50 percent of budgeted personal services costs.

**Information on Many Commission Contracts Too Little or Too Late.** We withhold recommendation on 28 of the 56 contract proposals funded in the commission's budget.

The commission did not submit any supporting information for four of the 56 contracts. Because these contracts are for ongoing programs, where there may be a need for contract assistance in 1986-87, we are withholding recommendation on them rather than recommending that the requested funds be deleted.

For five of the proposals, the commission did not provide adequate supporting information to permit a meaningful analysis. In addition, we received information on eighteen contract proposals too late for review prior to the preparation of this analysis. One of these proposals—a contract for \$500,000—arrived in our office on January 24, 1986, two weeks after the Governor submitted his budget.

For these reasons, we withhold recommendation on the \$5,700,000 requested from the ERPA for the 28 contracts listed in Table 3.

**Table 3**  
**Energy Commission Contract Proposals**  
**On Which We Withhold Recommendation**

<i>Division</i>	<i>Reason <sup>a</sup></i>	<i>Amount Requested</i>
<b>Siting and Assessment Division:</b>		
Process utility survey data .....	I	\$260,000
Transmission system evaluation .....	I	200,000
Electricity pooling modeling .....	I	230,000
Least-cost energy scenarios .....	I	380,000
Study natural gas availability .....	I	400,000
<b>Conservation Division:</b>		
Certification of building standards compliance options .....	L	500,000
Energy services to rural communities .....	L	150,000
Computer network to building industry .....	L	200,000
Check requests for standards exemptions .....	L	125,000
Expand home energy labeling program .....	L	80,000
Incentives for sales of energy-efficient appliances .....	L	150,000
Process appliance sales data .....	L	75,000
Demonstration of load management system .....	L	250,000
Nine technical assistance contracts for building energy conservation .....	N(2),L(7)	1,025,000
Energy emergency analysis .....	L	200,000
<b>Development Division:</b>		
Technical support for methanol vehicles .....	N	300,000
Study least-cost energy scenarios .....	L	200,000
Export assistance to energy businesses .....	L	425,000
Technical assistance for biomass loan program .....	N	325,000
Contracts for unspecified purposes .....	L	225,000
Total amount on which recommendation withheld .....		\$5,700,000

<sup>a</sup> received too late (L)  
no justification (N)  
additional information needed (I)

**ENERGY RESOURCES CONSERVATION AND DEVELOPMENT COMMISSION**  
**—Continued****Twice a Promise Broken**

*We recommend that the Legislature delete \$190,000 requested from the ERPA for contracts to assist the commission in collecting data for the energy development report required by Ch 1184/84 because the commission assured the Legislature that Ch 1184/84 would not result in any net cost. (Reduce Item 3360-001-465 by \$190,000.)*

The budget requests \$190,000 from the ERPA to fund contracts that would assist the commission in collecting and processing data for the commission's second biennial energy development report. This report must be submitted to the Legislature by June 1, 1988. The commission's 1985-86 budget includes \$175,000 in contract support for the first biennial development report due June 1, 1986 (\$75,000), and the first biennial conservation report (\$100,000) due October 1, 1986. The two reports were mandated by Ch 1184/84.

**Change in Commission Reporting Requirements.** Chapter 1184, Statutes of 1984 (SB 1549) revised the deadlines for several of the commission's regular reports. Deadlines for the (1) biennial *Electricity Report*, (2) comprehensive *Biennial Report*, and (3) *Annual Petroleum Review*, were changed to spread the commission's workload out more evenly, thereby eliminating existing peak workload problems. The act also requires the commission to produce a biennial report describing emerging trends in energy development and a report describing emerging trends in energy conservation.

When SB 1549 was being heard by the Legislature, the commission indicated that the savings, which would be achieved by staggering the *Electricity Report* and the *Biennial Report* in alternate years, would offset the increased costs that would result from other sections of the bill. As a result, both the commission and the Department of Finance claimed that SB 1549 would not have any net fiscal effect.

**1985 Budget Action.** Last year, the commission requested \$175,000 from the ERPA for contract assistance in preparing the conservation and development reports required by Chapter 1184. On the basis of the commission's assertion that the measure would not have any net fiscal effect, we recommend that the Legislature delete the \$175,000 from the Budget Bill. The commission acknowledged to the Legislature that the savings from the bill would indeed offset the additional costs, but it defended its request for an augmentation on the basis that the offsetting savings would not materialize until 1986-87. Consequently, the Legislature appropriated the \$175,000 and adopted language in its *Supplemental Report of the 1985 Budget Act* requiring the commission to reduce its base budget for 1986-87 by \$175,000 in order to reflect the offsetting savings from the implementation of Chapter 1184.

The commission indicates that it *has* reduced its base budget by \$175,000 in 1986-87. At the same time, the commission is requesting an augmentation of \$190,000 to implement Chapter 1184. We don't think this is what the Legislature had in mind when it adopted the supplemental language last year.

Because the request for \$190,000 directly contradicts (1) the commission's claims during legislative consideration of SB 1549, and (2) the commission's testimony on the 1985 Budget Bill, we recommend that the

Legislature delete the additional funds requested in Item 3360-001-465 for contract assistance.

### **The Commission Has No Jurisdiction Over Oil Industry Investment Decisions**

*We recommend that the Legislature delete \$350,000 requested from the ERPA for a contract to analyze oil industry development proposals because the commission does not have either the responsibility for analyzing the investment decisions of the oil industry or the authority to effect any changes in those decisions. (Reduce Item 3360-001-465 by \$350,000.)*

The budget requests \$350,000 from the ERPA for contract studies to analyze investment decisions and possible developments in the oil industry. The commission proposes to examine:

- The growing pace of oil development off California's coast.
- The investment potential in thermally-enhanced oil recovery.
- The investment potential of pipelines through southern California.
- The changing fuel mix being demanded by California motorists.
- The changing federal regulations governing lead content in gasoline.
- The closing of small refineries in California and the resulting job losses.
- The effect of air quality rulings on the quality and cost of diesel fuel.

We believe the commission's proposal lacks a clearly focused purpose. Judging from the market basket of topics listed above, it appears that the commission has not determined what exactly it wants to do. Furthermore, the commission has not identified how the results of these studies would be used. Consequently, we find that the need for the proposed study has not been established. Accordingly, we recommend that the Legislature delete the \$350,000 requested from the ERPA for the contract study.

### **The Commission Is Not the Chamber of Commerce**

*We recommend that the Legislature delete \$300,000 requested from the ERPA for a contract to assist new businesses in reducing their energy costs because the commission's existing energy conservation and development programs are already available to provide this assistance. (Reduce Item 3360-001-465 by \$300,000).*

The budget requests \$300,000 from the ERPA for a contract intended to assist businesses that are new to California in reducing their energy costs. Through this contract, the commission proposes to do the following for businesses that have committed to locate in California.

- Conduct detailed energy audits on new building and operation plans.
- Help design energy efficient buildings.
- Provide advice on generating energy at the place of business.

New businesses locating in California have full access to all of the existing energy programs operated by the energy commission, utility companies, and private consultants. The commission has not documented a need to supplement these programs, nor has it provided any reason to believe that more businesses would locate in California if the commission provided them with advice on energy. In addition, the commission has not explained why it believes serving these businesses is more important than providing services to firms already in California.

Finally, the commission points out in its proposal that the California Department of Commerce has an excellent program to attract businesses to California. We believe that the department—not the commission—should be responsible for developing programs intended to assist new

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

businesses in locating in California, if the need for such programs can be established.

For the reasons cited above, we recommend that the Legislature delete \$300,000 requested from the ERPA for the new-business-assistance contract.

**The Budget Fails to Request Funds Needed to Meet Power Plant Siting Workload**

*We withhold recommendation on the \$4,504,000 and 52.7 personnel-years requested for the power plant siting program, pending receipt of (1) updated workload estimates, and (2) an analysis of the cost-effectiveness of processing this workload through contracts rather than by hiring additional staff.*

The budget requests \$4,504,000 and 52.7 personnel-years for the commission's power plant siting program in 1986-87. This includes \$524,000 from the ERPA to continue 12.5 limited-term positions on a permanent basis.

The \$4,504,000 requested is \$4,332,000, or 49 percent, less than expenditures estimated for the power plant siting program in 1985-86. The \$4,332,000 reduction reflects three funding changes: (1) the deletion of \$1,400,000 in contract funds for workload assistance in the current year, (2) deletion of \$3,198,000 in contract funds for the current year which will be proposed in deficiency legislation, and (3) an increase of \$266,000 in regular staff and support costs.

***Commission Expects Workload to Continue At Current-Year Level.***

The commission has not provided any power plant siting workload data in support of its budget request. The commission's staff indicates, however, that, at a minimum, power plant siting workload probably will continue at the current level and that the commission likely will seek funds for additional contract support in a budget amendment letter. The commission expects to have better estimates of next year's workload requirement at that time.

***Contracting May No Longer be Cost Effective.*** In requesting \$1.4 million for contract support in 1985-86, the commission recognized that contracting for consultants generally is more costly than using state employees for normal ongoing workload in the siting program. Nevertheless, the commission argued that contracting in this instance would be more cost-effective than hiring additional staff for the power plant siting program because:

- Siting workload is not very predictable, and contract expenditures are easier to "turn off" if workload is less than what was estimated.
- Contracts can be used on an as-needed basis, which allows the commission to better accommodate wide fluctuations in its workload and still meet statutory deadlines in the siting process.
- Power plant siting requires the use of some highly specialized professional skills on an irregular basis, and contractors can provide these skills for less than what it would cost to obtain them by maintaining permanent state staff.

The Legislature expressed concern about the cost-effectiveness of the commission's contract proposal during hearings on the 1985 Budget Bill. We advised the Legislature at that time that the commission's proposal appeared reasonable, based on the commission workload and contract-

cost projections. We also advised the Legislature that we would review the commission's siting program and contracting practices as the year progressed in order to provide a more reliable basis for analyzing the power plant siting program.

Since budget hearings were concluded, the commission's power plant siting program has been augmented by \$3,198,000, or 57 percent—all of it for contract consultants. Contracts now account for 52 percent of total expenditures for power plant siting. On that basis, it no longer appears that contract funds are being used exclusively to accommodate peak workload or to obtain unusual types of skills.

On December 20, 1985, we requested from the commission monthly workload data for the power plant siting program. The commission's response provided data for only July and August. This is not enough data to permit a meaningful analysis of workload and staffing needs.

Accordingly, we withhold recommendation on the 52.7 positions and \$4,504,000 requested for power plant siting workload, pending receipt and analysis of the following information:

- A comparison of budgeted versus actual workload, both for the commission staff and for the contractor, in 1985–86.
- A detailed projection of workload in 1986–87.
- Monthly workload, by technical discipline, for 1985–86 and 1986–87.
- A cost comparison of using contractors (including the cost of contract management) with the cost of using commission staff.

#### **Fees for Power Plant Application Processing**

*We recommend the enactment of legislation requiring the commission to adopt fees to cover the costs of processing power plant applications submitted by third-party developers, because such fees (1) would eliminate the current subsidy provided for third-party power projects by utility ratepayers and (2) could reduce the cost of handling peaks in the commission's siting workload.*

In our Analysis of the 1985 Budget Bill (please see page 407) we recommended that the Legislature enact legislation requiring the commission to impose fees on third-party (nonutility) power plants to cover power plant siting costs. Such fees would reduce state costs to site these power plants and eliminate the current subsidy provided for third-party power projects by utility ratepayers. Fees also could reflect the higher costs of processing siting applications at peak times and thus provide an incentive for applicants to avoid concentrating their siting applications at particular points in time. We continue to make this recommendation.

#### **Flagrant and Costly Violation of Legislative Intent**

*We recommend that the Legislature delete \$5,890,000 requested from the State Energy Conservation and Assistance Account for energy conservation loans to nonprofit schools and hospitals and local governments, because the commission indicates there is not sufficient demand for loans under the current ECAA loan program. We further recommend that the balance of funds in, and future revenues to, the ECAA account be transferred to the General Fund. (Delete Item 3360-001-033.)*

The budget requests \$5,890,000 from the State Energy Conservation and Assistance Account (ECAA) for energy conservation loans to public and nonprofit schools and hospitals and to local governments.

Chapter 1124, Statutes of 1979, created the loan program and appro-

# ENERGY RESOURCES CONSERVATION AND DEVELOPMENT COMMISSION

## —Continued

appropriated a total of \$20 million from the General Fund to the ECAA in order to establish a revolving loan fund. Chapter 902, Statutes of 1980, created a special account within the ECAA to provide loans to local governments that would finance the conversion of existing incandescent and mercury vapor streetlights to more efficient sodium vapor lamps. This act appropriated \$8 million from the Energy and Resources Fund (ERF) to this special streetlight loan account within the ECAA. In addition, the 1982 Budget Act appropriated \$4,770,000 from the ERF for additional energy conservation loans under this program.

Repayments of loans are deposited into the ECAA and are available for appropriation by the Legislature for additional loans.

The commission anticipates that it will have loaned a total of \$45,252,000 for energy conservation projects by the end of 1985-86. The \$5,890,000 requested for 1986-87 represents the amount of loan repayments that the commission expects in 1986-87 (\$5,972,000), less a year-end reserve of \$82,000.

**State Law Requires Interest at Pooled Money Rate.** Section 25415 of the Public Resources Code requires recipients of ECAA loans to repay the loans with "interest calculated on the basis of the rate of return for moneys in the Pooled Money Investment Account."

**Commission Charges Less Than Pooled Money Rate.** Since the commission approved the first loans under the ECAA program in 1979-80, it has charged loan recipients interest rates that have been markedly *below* the rates required by state law (that is, the rates earned by the Pooled Money Investment Account (PMIA)). Table 4 compares the interest rates charged by the commission with the rate earned by the PMIA in each year since 1979-80. It shows, for example, that in 1981-82, the loans approved by the commission carried an interest rate of only 8.5 percent,

**Table 4**  
**Energy Conservation Assistance Account**  
**Estimated Revenue Lost by the State as a Result of the Commission's Decision**  
**to Charge Less Than the PMIA Rates on Loans**  
**1979-80 through 1985-86**  
**(dollars in thousands)**

Year	Total Loans	Interest Rate Charged	PMIA Rate for Year	Estimated Cumulative Interest Payments at Actual Loan Rate <sup>a</sup>	Cumulative Interest Payments at Pooled Money Rate	Estimated Cumulative Revenue Loss
1979-80.....	\$7,402	7.3%	10.5%	\$2,960	\$4,609	\$1,648
1980-81.....	15,840	7.8	10.8	6,843	10,138	3,295
1981-82.....	1,379	8.5	12.1	664	1,015	352
1982-83.....	4,095	9.8	10.5	2,320	2,523	203
1983-84.....	633	9.0	10.4	326	388	62
1984-85.....	4,903	9.5	11.4	2,693	3,347	655
1985-86 (est.).....	11,000	7.0	—	4,226	6,163	1,937
Totals.....	\$45,252	—	—	\$20,031	\$28,184	\$8,153

<sup>a</sup> Estimated by Legislative Analyst's Office assuming three years to first payment and three additional years to repay loan with equal semiannual payments.



whereas the PMIA rate was 12.07 percent. In the current year, the commission is charging only 7 percent interest on the \$11 million in ECAA loans it expects to provide, even though the PMIA was earning 9.66 percent on July 1, 1985. (As of January 28, 1986, the rate was 9.26 percent.)

The commission justifies its decision to set loan interest rates below the PMIA rate as follows:

“State ECAA legislation requires that the Commission base the interest rate for ECAA loans upon the rate of return on the Pooled Money Investment Account (PMIA) but does not specify the number of years to be taken into consideration.”

In the first four years of the ECAA loan program, the commission used an average of the PMIA rate for the prior *five* years. For example, in 1980–81, the commission averaged the PMIA rates for the previous five years, and used a rate of 7.75 percent. It did so despite being told by the Treasurer’s office that the current PMIA rate was 10.78 percent.

In 1983–84 and 1984–85, the commission apparently found the five year average not to its liking and shifted to an *eight-year* average.

Apparently, the eight-year average did not suit the commission’s purposes, either, and it has chosen to become even more “creative.” In the current year, the commission is using for the PMIA rate an average of these rates for the past *25 years*. As a result, the commission is charging borrowers only 7 percent, rather than the current PMIA rate (which was 9.66 percent as of July 1, 1985).

We gather the commission believes that the law allows it to use almost any interest rate it wishes, provided the rate is *less* than the current PMIA rate.

***Interest Losses to the State Exceed \$8 Million.*** The commission indicates that ECAA loan recipients begin repaying loans, on average, within three years of when the loan is issued and pay-off the loans during the subsequent three years. On this basis, we estimate that the commission’s creative interpretations of state law and clear disregard for legislative intent will cost the state approximately \$8.2 million in lost interest revenue over the life of the loans.

***Commission Asserts Insufficient Demand for Loans Under ECAA Program.*** In attempting to defend its interpretation of state law regarding the loan rate, the commission has tipped its hand and indicated what really has prompted the use of a 25-year average. The commission stated that “local entities would be reluctant to apply for loans if the interest rate were maintained at 9.5 percent” (the rate charged by the commission in 1984–85). The commission indicates that in the current year, only one city showed any interest in borrowing at a 9.5 percent interest rate. In fact, according to the commission, one city “found it less costly to obtain money for a streetlight conversion project by borrowing from its own treasury rather than paying the higher interest rates applicable to ECAA loans.”

***Conclusion.*** The Legislature established the energy conservation loan program as an unsubsidized, self-financing program. Its intent was clear, and this intent is clearly spelled out in the authorizing statutes. The commission, however, has chosen to administer the program in such a way as to provide significant interest subsidies to borrowers at the state’s expense, contrary to legislative intent.

If the commission is correct in asserting that there would be little or no demand for loans if the program is administered in accordance with legislative intent, there is no reason to continue the program. Accordingly, we

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

recommend that the Legislature delete Item 3360-001-033. We further recommend that the Legislature (1) transfer to the General Fund the current balance of the ECAA—\$5,980,000—and (2) provide for the transfer of any future repayments to the General Fund, as well.

**Continued Assistance to Lassen College Project Would Be Wasted Energy**

*We recommend that the Legislature delete \$167,000 requested from the General Fund to support the testing and monitoring program at the Lassen College waste-to-energy facility, because the facility has not been economically or technically successful. (Delete Item 3360-101-001.)*

The budget requests \$167,000 from the General Fund to cover the costs of operating the testing and monitoring lab program at the Lassen Community College waste-to-energy facility. The 1984 Budget Act provided a total of \$762,000 for this project, consisting of (1) \$595,000 from the Special Account for Capital Outlay to fund the purchase of laboratory facilities and equipment and (2) \$167,000 from the General Fund to fund the lab's operating expenses. The 1985 Budget Act appropriated an additional \$167,000 from the General Fund for operating expenses.

The California Waste Management Board has also provided funds for the project. In 1983, it granted the college \$570,000. Furthermore, Ch 184/85 appropriated \$800,000 from the General Fund to Lassen College as a loan to cover a deficiency in the college's budget attributable to the waste-to-energy facility. The college also has spent an unknown amount from the state apportionments for costs related to the facility.

Construction of the \$7.2 million waste-to-energy cogeneration and training facility at the college was financed privately through the sale of certificates of participation. Construction of the facility began in November 1982 and was completed in December 1984. The college leases the facility from the owners.

The college entered into the project with the expectation that it would produce heat and electricity for the college's own consumption plus surplus electricity that would be sold to the Pacific Gas and Electric Co. The college promoted the project on the basis that anticipated energy cost savings and electricity sales would provide sufficient revenue to cover the cost of lease payments to the investors, operating costs, and still yield a profit for the college of \$600,000 per year.

**A Financial Disaster.** The waste-to-energy plant began operating in December 1984. It operated at only 19 percent of capacity until May 19, 1985, when it shut down because of severe technical problems. At the time this analysis was prepared, the plant was not operating.

According to a technical and financial review of the plant conducted for the Energy Commission, the plant's future is grim. The consultant states, "Under optimistic assumptions regarding future energy production, energy prices, and operating costs, there is projected to be a significant shortage of funds to meet future expenses and lease payments." The review concluded that under a *best-case* scenerio, the facility could lose from \$2.3 to \$4.6 million. The commission's consultant also recommended that "the CEC should consider discontinuing any further investment in the testing and monitoring program at Lassen College until the plant can be shown to be a financially feasible project." According to commission staff, the project probably is doomed to failure.

In light of these findings, we recommend that the Legislature delete Item 3360-101-001, for a savings of \$167,000 to the General Fund.

**Additional Funds for Energy Technology Grant and Loan Program Are Not Needed for 1986-87**

*We recommend that the Legislature delete \$2.2 million requested from the Energy Technologies Research, Development and Demonstration Account (ETRDDA) for additional grants and loans in support of energy technology research, development, and demonstration, because the commission has not used any of the \$6,000,000 already available for this purpose. (Delete Item 3360-011-479.) Consistent with this recommendation, we further recommend that the Legislature not approve the proposed transfer of \$2,200,000 from the ERPA to the ETRDDA. (Delete Item 3360-011-465.)*

The budget requests \$3.2 million from the Energy Technologies Research, Development and Demonstration Account (ETRDDA) in the General Fund for grants and loans in support of research, development and demonstration of energy technologies. This amount consists of (1) \$2.2 million in Item 3360-011-479, and (2) \$1 million that would be reappropriated by Item 3360-490. The \$2.2 million appropriated in Item 3360-011-479 is funded by a transfer of this amount from the ERPA to the ETRDDA in Item 3360-011-465. The budget estimates that the commission will provide \$5 million in grants and loans during the current year.

Chapter 1595, Statutes of 1984 (AB 3897), created the ETRDDA, and transferred \$6 million from the ERPA to the account for loans and grants to finance energy research, development and demonstration projects. The transfers were made in two stages—\$1 million in 1984-85 and \$5 million in 1985-86.

**No Grants or Loans to Date.** As of January 1986 the commission had not spent any of the \$6 million available in the ETRDDA.

The commission's current schedule for awarding the initial ETRDDA grants and loans is as follows:

<i>Date</i>	<i>Activity</i>
December 20, 1985	Release request for proposals
January 17, 1986	Conduct pre-bid conference
February 18, 1986	Deadlines for proposals
April 28, 1986	Announce grant and loan awards
June 25, 1986	Begin grant and loan contracts

Although the budget estimates that the commission will award \$5 million in grants and loans during the current year, the commission staff indicates that expenditures probably will be less than this amount.

**The Commission Has Been Appropriately Cautious in Launching The Program.** The ETRDDA grant and loan program is designed to provide funds for a wide range of new energy technologies. There are many technological and financial risks associated with these projects that must be taken into account in setting up the program. Consequently, even though funds for the ETRDDA have been available since 1984-85, we believe that the commission has been prudent in proceeding slowly with the development of the grant and loan program.

**Committing Additional Funds Now Would Be Premature.** Because the commission has no track record with this program and there will not be any project experience until well into 1986-87 (if then), we believe it would be premature to commit more new funds to expand the program

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

beyond the amount provided in Chapter 1595. Accordingly, we recommend that the Legislature delete \$2,200,000 requested from the ETRDDA for additional grant and loan funds. Consistent with this recommendation, we also recommend the Legislature disapprove the proposed transfer of \$2,200,000 from the ERPA to the ETRDDA. (Separately, we recommend approval of Item 3360-490 to reappropriate the unencumbered balance in the ETRDDA in 1986-87.)

**Grants to Local Governments for Energy Project Permitting Assistance**

*We withhold recommendation on \$300,000 requested from the ERPA for grants to local governments to assist them in siting and permitting energy production projects, pending receipt and analysis of specific grant proposals.*

The budget requests \$478,000 from the ERPA to provide assistance to local agencies in siting projects related to energy production. The \$478,000 requested consists of (1) \$178,000 for two positions (and related support) that would provide technical assistance to local agencies, and (2) \$300,000 for grants to local governments for unspecified planning and environmental studies.

Chapter 1263, Statutes of 1983, established a program to help local governments expedite the processing of energy project siting applications. The statute requires the commission, subject to the availability of funds, to "provide technical assistance and grants-in-aid to assist local agencies in siting energy facilities which are not subject to the commission's siting authority."

*Sufficient Information Has Not Been Provided.* We received the commission's proposal on January 8, 1986. The proposal made reference to twenty-one applications requesting more than \$700,000 in local grants in the current year. The commission bases its request to increase the amount available for grants from \$131,000 in the current year to \$300,000 in 1986-87 on the number of applications received.

The commission, however, did not provide any list of the grant requests or any evaluation of their merits. Consequently, we have no basis at this time for evaluating the commission's request for additional grant funds in 1986-87. We therefore withhold recommendation on the \$300,000 requested in 1986-87 for local permit assistance grants, pending receipt and analysis of specific grant proposals.

---

## ENERGY RESOURCES CONSERVATION AND DEVELOPMENT COMMISSION—REAPPROPRIATION

Item 3360-490 from the Energy  
Technologies Research, Deve-  
lopment and Demonstration  
Account, General Fund

Budget p. R 16

### ANALYSIS AND RECOMMENDATIONS

#### *We recommend approval.*

Chapter 1595, Statutes of 1984, (AB 3897) transferred \$6 million from the Energy Resources Programs Account (ERPA) in the General Fund to the Energy Technologies Research, Development and Demonstration Account (ETRDDA), which the act created in the General Fund. The act appropriated to the commission \$1 million of these funds in 1984-85 and the remaining \$5 million in 1986-87 for grants and loans in support of energy technology research, development and demonstration. All principal and interest payments on the loans are deposited in the ETRDDA and are available for appropriation by the Legislature.

The commission estimates that at least \$1 million will remain unencumbered in the ETRDDA at the end of 1985-86.

Our analysis indicates that the commission has been prudent in setting up the ETRDDA program and that the proposed reappropriation is consistent with the intent of Chapter 1595. Accordingly, we recommend that the reappropriation be approved.

### Resources Agency

### CALIFORNIA WASTE MANAGEMENT BOARD

Item 3380 from the General  
Fund

Budget p. R 27

Requested 1986-87 .....	\$4,384,000
Estimated 1985-86.....	4,251,000
Actual 1984-85 .....	3,696,000
Requested increase \$133,000 (+3.1 percent)	
Total recommended reduction .....	83,000

### 1986-87 FUNDING BY ITEM AND SOURCE

Item—Description	Fund	Amount
3380-001-001-Support	General	\$4,355,000
Reimbursements	—	29,000
Total		\$4,384,000

### SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

Analysis  
page

1. *New Positions. Reduce Item 3380-001-001 by \$83,000 and 2.5 positions.* Recommend deletion of funds for 2.5 new positions because the request is premature.

401

**CALIFORNIA WASTE MANAGEMENT BOARD—Continued****GENERAL PROGRAM STATEMENT**

The California Waste Management Board is responsible for (1) ensuring that nonhazardous wastes are disposed of and managed in a safe and environmentally sound manner and (2) encouraging the adoption of environmentally, economically, and technically sound alternative waste disposal practices, such as recycling and waste-to-energy facilities.

The board's regulatory responsibilities include (1) setting minimum standards for waste handling and facility operation, (2) conducting oversight inspections of landfills, (3) reviewing permits issued by local enforcement agencies (LEAs), (4) investigating closed or abandoned landfill sites, and (5) approving county solid waste management plans.

Under existing law, local government has the primary responsibility for solid waste management, enforcement, and associated planning. There are approximately 990 solid waste facilities and 120 LEAs in the state.

The board is located in Sacramento and has 63.2 personnel-years of staff in the current year.

**OVERVIEW OF THE BUDGET REQUEST**

The budget requests \$4,355,000 from the General Fund for support of the California Waste Management Board in 1986-87. This is \$287,000, or 7.1 percent, more than estimated General Fund expenditures and \$133,000, or 3.1 percent, more than estimated total expenditures (includes a one-time appropriation from the Environmental License Plate Fund) in the current year. Total expenditures of \$4,384,000, including reimbursements of \$29,000, are proposed for 1986-87. Table 1 summarizes staffing and expenditures for the California Waste Management Board in the prior, current, and budget years.

**Table 1**  
**California Waste Management Board**  
**Summary of Expenditures and Funding Sources**  
**1984-85 through 1986-87**  
**(dollars in thousands)**

	<i>Personnel-Years</i>			<i>Expenditures</i>			<i>Percent Change from 1985-86</i>
	<i>Actual 1984-85</i>	<i>Est. 1985-86</i>	<i>Prop. 1986-87</i>	<i>Actual 1984-85</i>	<i>Est. 1985-86</i>	<i>Prop. 1986-87</i>	
<i>Program Expenditures</i>							
Monitoring and Enforcement <sup>a</sup> .....	26.5	31.3	33.1	\$1,664	\$2,361	\$2,833	20.0%
Resource Conservation and Recovery <sup>a</sup> .....	17.5	13.1	13.1	2,032	1,890	1,551	-17.9
Administration <sup>b</sup> .....	23.9	18.8	18.8	(1,313)	(1,337)	(1,158)	-13.4
Totals .....	67.9	63.2	65	\$3,696	\$4,251	\$4,384	3.1%
<i>Funding Source</i>							
General Fund .....				\$3,564	\$4,068	\$4,355	7.1%
Environmental License Plate Fund .....				111	100	—	-100.0
Reimbursements .....				21	83	29	-65.1

<sup>a</sup> The California Waste Management Board revised its allocation of expenditures between programs in 1986-87 to more accurately reflect its experience. This change is not reflected in the current-year amount. As a consequence, the apparent increase in the Monitoring and Enforcement program and an apparent decrease in the Resource Conservation and Recovery program do not reflect changes in activity levels.

<sup>b</sup> Funding for administration is distributed to the other programs.

The budget does not include additional funding for merit salary adjustments or inflation adjustments to operating expenses and equipment. We estimate that the board will have to absorb approximately \$86,000 in such costs.

### Proposed Budget Changes

Table 2 shows the changes proposed in the California Waste Management Board's budget for 1986-87, by funding source.

**Table 2**  
**California Waste Management Board**  
**Proposed Budget Changes**  
**1986-87**  
(dollars in thousands)

	General Fund	Environmental License Plate Fund	Reim- bursements	Total
1985-86 Expenditures .....	\$4,068	\$100	\$83	\$4,251
Workload and Administrative Adjust- ments:				
Salary and Benefit Increases .....	155	—	—	155
Miscellaneous adjustments (-1 PY) ..	-19	—	-54	-73
Program Changes				
Compliance program augmentation (+2.8 PY) .....	100	—	—	100
Computer equipment and training....	59	—	—	59
Copy machine replacement .....	42	—	—	42
Landfill gas monitoring .....	—	-100	—	-100
Recycling data base .....	-50	—	—	-50
1986-87 Expenditures (Proposed) .....	\$4,355	—	\$29	\$4,384
Change from 1985-86:				
Amount .....	\$287	-\$100	-\$54	\$133
Percent .....	7.1%	-100.0%	-65.1%	3.1%

### ANALYSIS AND RECOMMENDATIONS

*We recommend approval of the following proposed budget changes that are not discussed elsewhere in this analysis:*

- **Computer Equipment and Training.** The budget requests \$59,000 for additional personal computers and equipment (\$44,000) and additional computer training (\$15,000).
- **Copy Machine.** The budget requests \$42,000 to purchase a replacement for the existing high-volume copy machine which breaks down frequently.

### More Staff Requested Even Though Existing Positions are Vacant

*We recommend that \$83,000 and 2.5 positions requested for joint state and local inspections be deleted because the request is premature.*

The budget requests \$100,000 from the General Fund for 3 positions in the compliance program, in order to (1) conduct 185 joint inspections with local enforcement agencies (LEAs) (\$83,000 and 2.5 positions) and (2) increase technical assistance to the LEAs (\$17,000 and 0.5 positions).

Under existing law, the California Waste Management Board establishes

**CALIFORNIA WASTE MANAGEMENT BOARD—Continued**

minimum standards for the operation of solid waste facilities and designates LEAs (often county environmental health departments) to enforce these standards. LEAs, thus, have the primary responsibility for solid waste enforcement. The state provides oversight to ensure that the LEAs adequately enforce state standards.

According to board staff, most LEAs are required to inspect solid waste facilities at least once each year. If an LEA fails to adequately enforce state standards, the state board may dedesignate an LEA. If a local government fails to designate an LEA that the board approves, the board must act as the LEA and the local government must reimburse the board for its costs. In practice, however, the board has rarely dedesignated an LEA, preferring instead to work with the LEAs in order to improve enforcement of the state standards.

In the current year, the board received an augmentation of \$188,000 and four positions to increase *state* inspections at waste facilities. This will allow the board to inspect at least 150 solid waste facilities annually—approximately 30 facilities more than what the board is required to inspect under existing law (Ch 1369/82) (the board is required to inspect at least 25 percent of all permitted facilities that receive more than 100 tons per day of waste and 12.5 percent of all other facilities.) In the budget change proposal submitted to the Legislature in support of this augmentation, the board stated that increased inspections were necessary to determine “whether LEAs are detecting and reporting violations of the facility standards.”

The board’s budget for 1986–87 would enable it to inspect approximately 33 percent of all the solid waste facilities in 1986–87, or about 205 facilities more than the number required by Ch 1369/82. The stated purpose for these additional inspections is to determine whether inspection reports by LEAs are accurate and whether a health and safety threat exists at facilities.

The board, however, has not yet hired all the additional staff authorized in the current year, and it will not be able to achieve the target of inspecting 150 facilities in 1985–86. As a consequence, the board has not gathered the information on the LEAs’ performance that would have come from the increased inspections. The board, however, is requesting more staff in 1986–87 to gather essentially the same information on the LEAs’ performance.

Until it has filled the inspection positions that *already* are authorized and gathered information on the performance of the LEAs, the board will not be in a position to determine whether additional state inspectors are needed. Once this information is available, the board should be able to design a better inspection program and *may* decide that current staffing levels are adequate. At this time, however, the request for \$83,000 and 2.5 positions to conduct joint state and LEA inspections is premature and we, therefore, recommend that the request be denied. We recommend approval of the one-half position and \$17,000 requested to provide additional technical assistance to the LEAs.

---



## Resources Agency AIR RESOURCES BOARD

Item 3400 from the General

Fund and special funds

Budget p. R 30

Requested 1986-87 .....	\$57,772,000
Estimated 1985-86.....	52,605,000
Actual 1984-85 .....	45,443,000
Requested increase \$5,167,000 (+9.8 percent)	
Total recommended reduction .....	\$180,000
Recommendation pending .....	\$685,000

### 1986-87 FUNDING BY ITEM AND SOURCE

Item—Description	Fund	Amount
3400-001-001—Support	General	\$5,971,000
3400-001-044—Support	Motor Vehicle Account, State Transportation	39,216,000
3400-001-115—Support	Air Pollution Control	2,379,000
3400-001-140—Acid rain research	Environmental License Plate	1,200,000
3400-001-420—Biennial smog inspection program	Vehicle Inspection	710,000
3400-001-465—Cogeneration	Energy Resources Programs Account, General	185,000
3400-001-890—Support	Federal Trust	(2,815,000)
3400-101-044—Subventions to local air pollution control districts	Motor Vehicle Account, State Transportation	7,011,000
Reimbursements	—	1,100,000
Total		\$57,772,000

### SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

Analysis  
page

1. *Source of Funds. Reduce Item 3400-001-044 by \$14,654,000 and Item 3400-101-044 by \$5,258,000, and increase Item 3400-001-001 by \$14,654,000 and establish Item 3400-101-001 with \$5,258,000.* Recommend that the source of funds for stationary source-related activities be shifted from the Motor Vehicle Account (MVA) to the General Fund. 407
2. *Contracting-Out. Reduce Item 3400-001-001 by \$14,000 and Item 3400-001-044 by \$66,000, and permanently establish 2.0 positions.* Recommend reduction to reflect savings from performing the work in-house, rather than by contracting. 411
3. *Grey Market Program. Reduce Item 3400-001-044 by \$452,000, increase reimbursements scheduled in Item 3400-001-001 by \$100,000 and increase Item 3400-001-115 by \$352,000.* Recommend that program be funded with fee revenue, rather than from the Motor Vehicle Account. 411
4. *Toxic Air Contaminant Program.* Recommend that during budget hearings, the board (a) explain the reasons for the delay in developing control measures, (b) provide a revised timetable (c) identify the resources needed to meet the original schedule, and (d) explain how the Scientific Review Panel can increase the number of substances it reviews each year. 412

**AIR RESOURCES BOARD—Continued**

5. Toxic Air Contaminant Sampling Methodology. With- 413  
hold recommendation on \$685,000 requested for contracts  
to develop sampling methodologies, pending receipt of in-  
formation identifying which toxic substances the contracts  
will address.
6. Indoor Air Pollution. Recommend the Legislature adopt 414  
Budget Bill language requiring that all indoor air pollution  
activities be approved by Department of Health Services  
before funds are spent.
7. *Arbitration Panel. Recommend an increase of \$316,000 in 415*  
*reimbursements scheduled in Item 3400-001-001.* Recom-  
mend an increase in reimbursements from the Department  
of Health Services to cover the full costs of the arbitration  
panel.

**GENERAL PROGRAM STATEMENT**

The Air Resources Board (ARB) is responsible for achieving and maintaining satisfactory air quality in California. This responsibility requires the department to establish ambient air quality standards for certain pollutants, regulate vehicle emissions, identify and control toxic air pollutants, administer air pollution research studies, evaluate standards adopted by the U.S. Environmental Protection Agency, and develop and implement the State Implementation Plan for the attainment and maintenance of the air quality standards.

The board consists of a full-time chairperson and eight part-time members, all of whom are appointed by the Governor and serve at his pleasure. The chairperson of the board also serves as the Governor's Secretary of Environmental Affairs, and as such has an advisory and coordinating role in the environmental area. In 1986-87, the agency will begin administering a grant program established by Ch 1390/85 which will provide assistance to coastal cities and counties for activities related to off-shore energy development.

Most of the board's staff are located in Sacramento. Vehicle emission testing, vehicle certification, and air pollution laboratory work are conducted in El Monte. The board has 560.3 personnel-years of staff in the current year.

**OVERVIEW OF THE BUDGET REQUEST**

The budget requests a total of \$57,772,000 from state funds and reimbursements for support of the Air Resources Board in 1986-87. These funds would come primarily from the Motor Vehicle Account (MVA) in the State Transportation Fund and from the General Fund. The requested amount is an increase of \$5,167,000, or 9.8 percent, above estimated current-year expenditures from state funds and reimbursements.

In addition to the \$57,772,000 in state funds, the board proposes to spend \$2,815,000 in federal funds and \$35.5 million in federal outer continental shelf revenue appropriated to the Environmental Affairs Agency in recent legislation (Ch 1390/85), bringing total budget-year expenditures from all sources to \$96,087,000—an increase of \$40,788,000, or 74 percent, above the current-year level.

The budget does not include additional funding for Merit Salary Adjustments or inflation adjustments to Operating Expenses and Equipment.

The board estimates that it will have to absorb approximately \$1,516,000 in such costs. Table 1 summarizes the staffing and expenditures for the board from 1984-85 through 1986-87.

**Table 1**  
**Air Resources Board**  
**(Including Environmental Affairs Agency)**  
**Budget Summary**  
**1984-85 through 1986-87**  
**(dollars in thousands)**

Program	Personnel-Years			Expenditures			Percent Change from 1985-86
	Actual	Est.	Prop.	Actual	Est.	Prop.	
	1984-85	1985-86	1986-87	1984-85	1985-86	1986-87	
Air Pollution Control Program							
Technical Support .....	68.1	71.9	68.6	\$5,560	\$7,064	\$7,450	5.5%
Stationary Source .....	72.3	85.2	85.8	12,235	14,044	14,574	3.7
Mobile Source .....	62.5	67.2	70.1	4,557	5,922	8,020	35.0
Compliance .....	37.5	34.1	36.9	2,873	3,492	3,448	-1.3
Research .....	43.9	44.1	45.1	10,032	10,987	11,380	3.6
Aerometric Data .....	67.2	67.7	70.6	6,072	6,099	7,144	17.1
Haagen-Smit Laboratory .....	90.4	86.2	87.2	6,239	7,061	7,670	8.6
General Support:							
Costs distributed to other pro-							
grams .....	99.9	97.3	99.3	(5,642)	(6,204)	(6,920)	—
Undistributed .....	1.0	1.0	1.0	28	22	22	—
Environmental Affairs Agency .....	6.9	5.6	7.6	450	608	36,379	NMF <sup>a</sup>
Totals .....	549.7	560.3	572.2	\$48,046	\$55,299	\$96,087	73.8%
Funding Source							
General Fund .....				\$4,651	\$5,743	\$5,971	4.0%
Motor Vehicle Account, State Transportation Fund .....				36,253	40,219	46,227	14.9
Vehicle Inspection Fund .....				245	2,392	710	-70.3
California Environmental License Plate Fund .....				—	1,200	1,200	—
Air Pollution Control Fund .....				3,638	2,245	2,379	6.0
Energy Resources Programs Account, General Fund .....				165	179	185	3.3
Federal Funds .....				2,603	2,694	2,815	4.5
Offshore Energy Assistance Fund .....				—	—	25,000	—
Local Coastal Improvement Fund .....				—	—	10,500	—
Reimbursements .....				491	627	1,100	75.4

<sup>a</sup> Not a meaningful figure.

Table 2 shows the proposed budget changes, by funding source, for the board in 1986-87. Tables 1 and 2 also include expenditures by the Environmental Affairs Agency.

**AIR RESOURCES BOARD—Continued**

**Table 2**  
**Air Resources Board**  
**(Including Environmental Affairs Agency)**  
**Proposed Budget Changes**  
**(dollars in thousands)**

	General Fund	Motor Vehicle Account	Air Pollution Fund	Other Special Funds	Federal Funds	Reim- bursements	Totals
1985-86 Expenditures (Revised) .....	\$5,743	\$40,219	\$2,245	\$3,771	\$2,694	\$627	\$55,299
Proposed Changes:							
A. Workload and Administrative Adjustments:							
1. Deletion of one-time expenditures .....	-343	-706	-635	—	-2	—	-1,686
2. I/M (smog check) program funding switch .....	—	1,885	—	-1,885 <sup>a</sup>	—	—	—
3. Limited term positions expiring .....	-72	-287	—	—	—	—	-359
4. Miscellaneous (including salary increases and pro rata adjustments) .....	211	1,459	103	24	123	17	1,937
B. Program Changes:							
1. Toxic air contaminant program (3.8 PY) .....	180	873	285	—	—	—	1,338
2. Pesticide exposure monitoring (5.7 PY) .....	60	293	100	—	—	—	453
3. Indoor air pollution exposure assessment (1PY) .....	44	216	—	—	—	—	260
4. Reduction of excess emissions from mo- tor vehicles now in use .....	—	679	—	—	—	—	679
5. Certification of used imported vehicles (2.9 PY) .....	—	352	—	—	—	—	352
6. Expand and upgrade emission inventory .....	62	304	—	—	—	—	366
7. Emission control bus demonstration .....	—	515	—	—	—	—	515
8. Control of PM10 emissions .....	55	270	—	—	—	—	325
9. Upgrade air quality data .....	18	88	281	—	—	—	387
10. I/M benefits model .....	—	—	—	75 <sup>a</sup>	—	—	75
11. Hazardous Substances Arbitration Panel (2PY) .....	—	—	—	—	—	456	456
12. Coastal Resources & Energy Assistance Act .....	—	—	—	35,500 <sup>b</sup>	—	—	35,500
13. Miscellaneous changes .....	13	67	—	110	—	—	190
1986-87 Expenditures (Proposed) .....	\$5,971	\$46,227	\$2,379	\$37,595	\$2,815	\$1,100	\$96,087
Change from 1985-86:							
Amount .....	228	6,008	134	33,824	121	473	40,788
Percent .....	4.0%	14.9%	6.0%	897.0%	4.5%	75.4%	73.8%

<sup>a</sup> Vehicle Inspection Fund.<sup>b</sup> Consists of \$25 million from the Offshore Energy Assistance Fund and \$10.5 million from the Local Coastal Program Improvement Fund.

**Coastal Resources and Energy Assistance Act.** Chapter 1390, Statutes of 1985, established two new grant programs which are to be administered by the Environmental Affairs Agency. The act also appropriated \$35.5 million in federal outer continental shelf revenue anticipated under Section 8(g) of the Outer Continental Shelf Lands Act for these programs. The Offshore Assistance Fund (\$25 million) will provide grants to coastal counties for activities related to offshore energy development. The Local Coastal Improvement Fund (\$10.5 million) will provide grants to coastal cities for activities related to offshore energy development and for coastal resource management. At the time this analysis was prepared, the state had not received the federal funds from which these appropriations were made. (Please see The 1986-87 Budget: *Perspectives and Issues* for a

discussion of Section 8(g) funds.) The agency plans to request positions to administer the grant program in a Finance letter to be submitted in the spring.

## ANALYSIS AND RECOMMENDATIONS

We recommend approval of all proposed workload and administrative adjustments shown in Table 2, as well as the following budget changes which are not discussed elsewhere in this analysis:

**Reducing Excess Vehicle Emissions** (\$679,000). The budget requests \$679,000 to (1) expand the ARB's testing and recall program in order to reduce emissions from vehicles already in use (\$314,000), (2) eliminate a backlog in the review of data for the vehicle emission inventory program (\$115,000), and (3) contract out for specialized vehicle engineering studies needed to develop emission control strategies (\$250,000).

**Emission Control Bus Demonstration** (\$515,000). These funds would be used to install emission control equipment on 25 transit buses and monitor the effectiveness of the equipment over a two-year period.

**Control of Small Particulate Emissions (PM10)** (\$325,000). These funds would be used to contract for the review of PM10 pollution sources and to fund the development of control strategies for those sources. PM10 is particulate matter with a size less than 10 microns, which is the size range most able to penetrate the lungs.

**Air Quality Data Systems** (\$387,000). These funds will be used to improve the telemetry system for the agricultural burning program (\$56,000), to update the data gathering and recording system for the board's ambient air quality monitoring program (\$259,000), and to contract out for an evaluation of the board's statewide data storage and analysis system for the ambient air quality monitoring data (\$72,000).

**I/M (smog check) Benefits Model** (\$75,000). These funds will be used to contract for the development of a mathematical model to estimate the benefits of the biennial inspection and maintenance program for motor vehicles.

## Inappropriate Use of the Motor Vehicle Account

*We recommend that the Legislature (1) reduce Item 3400-001-044 (Motor Vehicle Account) by \$14,654,000 and Item 3400-101-044 by \$5,258,000, (2) increase Item 3400-001-001 by \$14,654,000 and (3) establish Item 3400-101-001 in the amount of \$5,258,000, in order to use the appropriate funding source for activities not related to motor vehicles.*

The Motor Vehicle Account (MVA) in the State Transportation Fund receives its revenue from motor vehicle registration and driver license fees collected by the Department of Motor Vehicles. The account is used primarily to support the Department of the California Highway Patrol and the Department of Motor Vehicles. Article XIX of the California Constitution generally restricts the use of the MVA to purposes directly related to motor vehicles, streets and highways, mass-transit guideways and the mitigation of the environment effects of vehicles and transportation facilities.

The budget requests \$46,227,000 from the MVA for the ARB in 1986-87. This represents 76 percent of the board's total funding (excluding the one-time appropriation of \$35.5 million to the Environmental Affairs Agency for implementation of the Coastal Resources and Energy Assistance Act). The \$46,227,000 is \$6,008,000 more than the ARB received from the MVA in the current year.

Our analysis indicates that \$19,912,000, or 43 percent, of the funding requested from the MVA will be used for activities unrelated to motor vehicles or their environmental effects.

**AIR RESOURCES BOARD—Continued**

Table 3 lists, for each ARB program, (1) the total amount requested as well as the amount requested from the MVA, and (2) our estimate of the MVA funds that would be used for nonvehicular purposes and thus should be replaced with support from the General Fund. In the case of some programs, we were able to divide the proposed funding into stationary and mobile source-related activities. In a few cases, however, we could not make this separation easily. In these cases, the program covers all aspects of air pollution, both mobile and stationary. We therefore recommend that the funding split in these cases be based on the ARB's estimate that each of these sources of pollution (mobile and stationary) causes 50 percent of the air pollution statewide. We discuss each of the ARB programs below.

**Table 3**  
**Air Resources Board**  
**Use of Motor Vehicle Account Funds**  
(dollars in thousands)

	1986-87 Governor's Budget		Analyst's Recommended Funding Split			Recommended Cost Shift to the
	Total			General	Other	General
Programs	Requested	MVA	MVA	Fund	Funds	Fund
Technical Support .....	\$7,450	\$5,333	\$3,725	\$2,751	\$974	\$1,608
Aerometric Data .....	7,144	4,896	2,251	3,669	1,224	2,645
Stationary Source.....	14,574	12,316	1,753	11,700	1,121	10,563
Mobile Source.....	8,020	6,547	6,547	—	1,473	—
Compliance .....	3,448	2,417	553	2,381	514	1,864
Haagan Smit Lab.....	7,670	6,575	5,796	1,382	492	779
Research.....	11,380	7,992	5,690	3,577	2,113	2,302
Environmental Affairs Agency " ....	879	151	—	423	456	151
General Support (undistributed) ..	22	—	—	—	22	—
Totals.....	\$60,587	\$46,227	\$26,315	\$25,883	\$8,389	\$19,912

<sup>a</sup> Excludes \$35.5 million for local coastal and energy grants.

**Technical Support.** The technical support program is responsible for developing and compiling information on the amounts and trends of emissions, the relationship of emissions to air quality, and the effectiveness of pollution control strategies. These activities are related to all sources of air pollution, both stationary and mobile. We, therefore, recommend that the cost of this program be split 50/50 between the MVA and the General Fund.

The budget requests \$7,450,000 in 1986-87 for technical support, of which \$5,333,000, or 72 percent, is requested from the MVA. Accordingly, we recommend that the Legislature reduce by \$1,608,000 (\$5,333,000—\$3,725,000) the amount budgeted from the MVA and increase the General Fund appropriation by a corresponding amount.

**Aerometric Data.** The aerometric data program develops and documents the ambient air quality data needed to develop pollution control strategies. The budget requests \$7,144,000 in 1986-87 for aerometric data development, including \$4,896,000 from the MVA (68.5 percent).

This program consists of three main activities: (1) air monitoring for the "criteria" pollutants (\$4,502,000), (2) air monitoring for toxic air pollutants (\$1,273,000), and (3) managing the agricultural burn program (\$1,368,000). Criteria pollutants are those pollutants with federal standards,

such as nitrogen dioxide, sulfur dioxide, and carbon monoxide. Both stationary and mobile sources emit these pollutants. Accordingly, we recommend that costs for monitoring criteria pollutants be split 50/50 between the MVA and the General Fund.

In contrast, the toxic air contaminants which have been identified thus far are primarily from stationary sources. Therefore, activities related to toxic air contaminants, as well as management of agricultural burning, should not receive any MVA funds.

In sum, MVA funding for the aerometric program should not exceed \$2,251,000—half the cost for monitoring criteria pollutants. Consequently, we recommend that the Legislature reduce the amount budgeted from the MVA by \$2,645,000 (\$4,896,000—\$2,251,000) and increase the General Fund appropriation by a corresponding amount.

**Stationary Source.** The budget requests \$14,574,000 for the stationary source program, including \$12,316,000 from the MVA (85 percent). In the stationary source program, the board works with local air pollution control districts to reduce emissions from stationary sources of air pollution (\$7,563,000 total, of which \$5,305,000 is from the MVA), and distributes state subvention funds to local districts for general program operation (\$7,011,000—all from the MVA).

The funding for local assistance to air pollution control districts is used primarily for stationary source-related activities, although certain district activities are appropriately funded, in part, by the MVA. These activities include air quality monitoring, transportation planning, emission inventories, and general air quality planning.

Based on estimates of how much the local districts spend for these activities, made by the California Air Pollution Control Officers Association (CAPCOA), we recommend that the Legislature reduce the MVA's share of the local subventions program from 100 percent to 25 percent (\$1,753,000). The remainder of the boards' activities in this program area should not receive any MVA funds, since these activities only involve stationary sources of air pollution. Accordingly, we recommend that the Legislature reduce by \$10,563,000 (\$12,316,000—\$1,753,000) MVA funding for the stationary source program and increase the General Fund appropriation by a corresponding amount.

**Mobile Source.** The budget requests \$8,020,000 for the mobile source program, including \$6,547,000 from the MVA (82 percent). No General Fund support is provided for this program.

Under the mobile source program, the board develops, implements, and enforces laws and regulations that limit emissions from new and in-use vehicles. Accordingly, this program is appropriately funded by the MVA, and no change in funding source is warranted.

**Compliance.** The budget requests \$3,448,000 for the compliance program in 1986–87, including \$2,417,000 from the MVA (70 percent). The compliance program consists of three activities: (1) local district audits and training (\$1,147,000) (2) inspections of stationary sources of air pollution (\$1,748,000), and (3) enforcement of motor vehicle fuel regulations (\$553,000).

The fuel inspection activity is the only activity in this program that is directly related to motor vehicles, and therefore it is the only activity that should be funded by the MVA. Accordingly, we recommend that the Legislature reduce MVA funding for the compliance program by \$1,864,000 (\$2,417,000—\$553,000) and increase the General Fund appropriation by a corresponding amount.

**Haagen Smit Lab.** The budget requests \$7,670,000 in 1986–87 for the

**AIR RESOURCES BOARD—Continued**

Haagen Smit Laboratory, including \$6,575,000 from the MVA (86 percent). The laboratory's activities include vehicle testing to support the regulatory activities of the Mobile Source Division (\$3,922,000) and sampling and analysis of air quality (\$3,748,000).

The vehicle testing activities are appropriately funded from the MVA. Air quality testing, however, is a general program and should be split 50/50 between the MVA and other funds. Accordingly, we recommend that the Legislature reduce MVA funding for the laboratory by \$779,000 (\$6,575,000—\$5,796,000) and increase the General Fund appropriation by a corresponding amount.

**Research.** The budget requests \$11,380,000 in 1986–87 for the board's research program, including \$7,992,000 (70 percent) from the MVA. The research program covers all aspects of air pollution, both mobile and stationary. We, therefore, recommend that the program's cost be split 50/50 between the MVA and other funding sources. Accordingly, we recommend that the Legislature reduce the amount budgeted from the MVA for this program by \$2,302,000 (\$7,992,000—\$5,690,000) and increase the General Fund appropriation by a corresponding amount.

**Environmental Affairs Agency.** The budget requests \$36,379,000 in 1986–87 for the Environmental Affairs Agency. This amount includes a one-time appropriation of \$35.5 million for local grants pursuant to the Coastal Resources and Energy Assistance Act. Funding for support of the agency is proposed at \$879,000 in 1986–87, which includes \$151,000 (17 percent) from the MVA.

The agency is responsible for overseeing the programs and budgets of the Air Resources Board, the State Water Resources Control Board, and the Waste Management Board. In addition, the Secretary is responsible for supervising and coordinating all offshore leasing, exploration, and development. The Secretary for Environmental Affairs also serves as Chairperson of the ARB, but the *full* salary of the Secretary is paid by the ARB, not the agency.

Considering the diverse responsibilities of the agency, it would appear that very little agency time is spent on issues related to air pollution from motor vehicles. Accordingly, we recommend that the Legislature delete the \$151,000 requested from the MVA for support of the agency and increase the General Fund appropriation by an equal amount.

In sum, we find that the ARB is using funds from the MVA for purposes that are not related to motor vehicles, contrary to what Article XIX of the California Constitution requires. On that basis, we recommend that the Legislature (1) reduce Item 3400-001-044 (Motor Vehicle Account) by \$14,654,000 and increase Item 3400-001-001 (General Fund) by the same amount, and (2) reduce Item 3400-001-044 (Motor Vehicle Account) by \$5,258,000 and add Item 3400-001-001 (General Fund) to the Budget Bill in the amount of \$5,258,000. (If any funding changes are made to these programs during the budget process, the amount of costs that should be shifted from the MVA to the General Fund should be revised to conform with those decisions.)



**Still More Costly to Contract**

*We recommend that the Legislature (1) reduce by \$80,000 (\$14,000 in Item 3400-001-001 and \$66,000 in Item 3400-001-044) the amount requested for a contract to update emission inventory estimates and (2) establish 2 new positions, in order to realize the savings that can be achieved by conducting the work in-house, rather than through contracts.*

The budget requests \$366,000 (\$62,000 General Fund and \$304,000 MVA) for contracts to expand and update emission inventory estimates. This amount consists of \$220,000 (\$37,000 General Fund and \$183,000 MVA) for upgrading the emission inventory and \$146,000 (\$25,000 General Fund and \$121,000 MVA) to develop emission inventories for toxic substances. The emission inventory program estimates current emissions from stationary and mobile sources of air pollution. These estimates are used to develop control measures for those sources. The program also updates the emission growth factors used to develop forecasts of future emissions.

**Updating Emission Inventories.** According to the board, the additional \$220,000 will be used to update emission factors, such as the average age of cars and the proportion of vehicles with diesel engines in California, in order to more-accurately estimate emissions.

The board received \$303,000 and 4.5 limited term positions in the current year to update and improve emission inventory estimates. Originally it requested contract funds for the work, but the Legislature instead established limited term positions in order to realize the \$359,000 in savings that could be achieved by doing the work in-house.

The board does not expect to complete all of the work in the current year and requests additional funds to continue the work in 1986-87. Once again, it proposes to contract the work out, and once again our analysis indicates that the work can be done at less cost to the state by hiring staff.

According to the board, it would take two professional positions to do the needed work in-house on an ongoing basis. These positions would cost \$140,000-\$80,000 less than the cost of the proposed contract. To realize these savings, we recommend that the Legislature reduce by \$80,000 (\$14,000 for Item 3400-001-001 and \$66,000 from Item 3400-001-044) the amount budgeted for updating emission inventories, and establish two new positions.

**Grey Market Program Double Funded**

*We recommend that the Legislature (1) reduce the amount budgeted for the grey market vehicle programs from the Motor Vehicle Account by \$452,000 and (2) increase the amounts budgeted from the Air Pollution Control Account and reimbursements by \$352,000 and \$100,000 respectively, in order to use anticipated fee revenues to fund the programs in 1986-87. (Reduce Item 3400-001-044 by \$452,000, increase Item 3400-001-115 by \$352,000 and increase reimbursements in Item 3400-001-001 by \$100,000).*

The budget requests \$452,000 from the Motor Vehicle Account (MVA) to support its certification programs for new and used imported "grey market" vehicles (\$100,000 for new imported vehicles and \$352,000 for used imported vehicles). This is an increase of \$352,000 over current-year expenditures of \$100,000. (The budget narrative erroneously cites an increase of \$304,000.) Both programs were developed in the current year. The budget request will provide for full implementation, beginning in 1986-87.

**AIR RESOURCES BOARD—Continued**

The "grey market" primarily refers to the importation of new vehicles from outside the United States that do not meet California's emission standards. Prior to the board's certification program, new imported vehicles were being sold as "used" vehicles in order to avoid California's emission requirements. In addition, used imported vehicles only had to meet federal emission standards, which are less stringent than California's standards. The board's certification program will require both new and used imported vehicles to meet California emission standards.

The two grey market programs were authorized by Chapter 1235 (SB 1118) and Chapter 1138 (SB 217), Statutes of 1985. *Each of these measures authorizes the board to charge fees to cover the full program costs.* Chapter 1235 specified that all fees collected under the new vehicle program shall be deposited in the Air Pollution Control Account; Chapter 1138, however, did not designate any fund to receive the fee revenue from the used vehicle program.

The board expects to begin charging fees for both programs by early 1986-87, and expects to receive fee revenue in 1986-87 that are sufficient to cover the cost of both programs. Consequently, there is no need to provide additional funds from the MVA to support these programs. We, therefore, recommend that the Legislature (1) delete the \$450,000 requested from the MVA (Item 3400-001-044) and (2) increase (a) the appropriation from the Air Pollution Control Fund (Item 3400-001-115) by \$350,000 and (b) reimbursements in Item 3400-001-001 by \$100,000, to allow the expenditure of the fee revenue that will be collected.

**Toxic Air Contaminant Program is Getting Behind**

*We recommend that during budget hearings, the Air Resources Board (1) explain the reasons for the delay in developing control measures for toxic air contaminants, (2) provide a revised timetable for this project, (3) identify the resources needed to meet the original eight-month timeframe per contaminant, and (4) explain how the Scientific Review Panel can increase the number of substances it reviews each year.*

The budget proposes an increase of \$2,051,000 (\$284,000 General Fund, \$1,382,000 MVA and \$385,000 Air Pollution Control Fund) or 47 percent, for the toxic air contaminant program in 1986-87. This increase consists of \$1,338,000 for enforcement and increased sampling and analysis of contaminants, \$260,000 for indoor air pollution exposure assessments, and \$453,000 for increased air sampling and analysis of pesticides referred to the board by the Department of Food and Agriculture (DFA).

Chapter 1047, Statutes of 1983 (AB 1807, requires the board to implement a comprehensive program to identify and control toxic air contaminants in California. Beginning in the current year, the board expects to identify six substances annually as toxic air contaminants; in the budget year, it expects to begin developing and adopting control measures for six toxic air contaminants each year. This schedule assumes that the identification phase will take 10 months for each substance, and that the control phase will take 14 months. The control phase involves the development of control measures by the board (eight months) and the adoption of the control measures by the local air pollution control districts (six months). Chapter 1047 does not require that the board evaluate any minimum number of substances each year.

**Control Measure Development Behind Schedule.** The board ex-

pects to complete the identification of six substances in 1985-86, but has fallen behind in the development of control measures. Instead of eight months per substance, the board now expects that the process will take at least 14 months per substance (an additional six months) and sometimes longer. Benzene is the first substance for which the board is developing control measures. The board currently expects to adopt suggested control measures for benzene in June 1986, nine months later than planned. Then, local air pollution control districts must adopt control measures.

The Legislature provided funding for the program in the current year, with the expectation that six toxic air contaminants would have control measures developed each year. The board does not appear to be meeting its schedule. Consequently, we recommend that during budget hearings the board (1) explain the reasons for the delay in developing control measures, (2) provide a revised timetable and (3) identify the resources needed to meet its original timetable.

**Scientific Review Panel Backlog.** The Scientific Review Panel (SRP) established by Chapter 1047, is responsible for advising the board and the Department of Food and Agriculture (DFA), in the case of pesticides, on the health effects toxicity of substances. After the board determines exposure levels and the Department of Health Services determines the health risks for each substance, the SRP evaluates the information. Based on this evaluation, the SRP either approves the findings or determines that they are seriously deficient and returns them to the board or DFA for revision. The SRP must complete its evaluation of findings regarding toxic air contaminants within 60 days of when they are submitted by the ARB. There is no deadline, however, for review of findings concerning pesticides.

The SRP has received findings from the board on seven substances. According to the board's progress reports, the SRP has used the full 60 days for each substance, and in many cases has exceeded the deadline by at least a week. According to the board, the SRP rejected the report on dioxins primarily because it ran out of time.

The SRP has not yet received any findings on pesticides for review. The DFA, however, is expected to submit findings on the first two pesticides (ethylene dibromide and ethylene dichloride) to the SRP in March 1986, and to submit one pesticide every two months thereafter.

It does not appear that the SRP will be able to review the pesticide reports and also meet its 60-day statutory deadline for reviewing the board's reports. We, therefore, recommend that during budget hearings the board explain whether the SRP can meet its statutory deadline for reviewing the boards' reports and also review the DFA's reports in a timely manner.

### **Contracts to Develop Sampling Methodology Not Justified**

*We withhold recommendation on \$685,000 (\$116,000 in Item 3400-001-001 and \$569,000 in Item 3400-001-044) requested for contracts to develop sampling and analysis methodologies for toxic air contaminants, pending receipt of information identifying which toxic substances the contracts will address.*

The budget requests \$685,000 in 1986-87 for contracts to develop sampling and analysis methodologies for toxic air contaminants. This amount consists of \$116,000 from the General Fund, and \$569,000 from the Motor Vehicle Account. The budget request includes funds for four contracts.

The ARB has not provided the Legislature with sufficient information

**AIR RESOURCES BOARD—Continued**

to justify its request for these contract funds. Specifically, the board is unable to identify which toxic air contaminants will have sampling and analysis methodologies developed. The board is in the process of determining which toxic substances will be reviewed in the next two years as part of the toxic air contaminant identification and control program established by Ch 1047/83.

Although it appears that additional sampling methodologies will have to be developed, the timing of the work and the amount of funds necessary to accomplish it will depend on the specific substances to be studied and the schedule for evaluating them. We, therefore, withhold recommendation on the \$685,000 (\$116,000 Item 3400-001-001, and \$569,000 in Item 3400-001-044), pending receipt of information specifying which toxic substances the contracts are for.

**Coordination of Indoor Air Pollution Needed**

*We recommend that the Legislature adopt Budget Bill language in Item 3400-001-001 requiring that all activities related to indoor air pollution be reviewed and approved by the Department of Health Services before funds are spent on these activities.*

The budget requests \$260,000 (\$216,000 from the Motor Vehicle Account and \$44,000 from the General Fund) and 1 position to determine the best methods for measuring indoor air pollution and assess the health effects from exposure to indoor air pollutants.

The Legislature has identified the Department of Health Services (DHS) as the lead state agency for coordinating the research related to the causes, effects, and control of indoor air pollution (Ch 1027/82). The DHS, however, has not reviewed the ARB's budget proposal. To ensure that the work proposed by the board is coordinated with the indoor air pollution work being done by DHS, we recommend the Legislature adopt the following Budget Bill language in Item 3400-001-001:

"None of the funds appropriated or scheduled in this item shall be encumbered or expended for indoor air pollution activities until the Department of Health Services has approved the proposed work activities."

**Environmental Affairs Agency**

The proposed budget for the Air Resources Board (ARB) includes \$36,379,000 for the Environmental Affairs Agency (EAA). This amount consists of \$879,000 for support of the EAA (\$272,000 from the Motor Vehicle Account, \$151,000 from the General Fund, and \$456,000 in reimbursements) and a one-time increase of \$35.5 million for local assistance to implement the Coastal Resources and Energy Assistance Act (Ch 1390/85). Excluding local assistance, the \$879,000 for support of EAA is an increase of \$271,000, or 45 percent, over estimated current-year expenditures. The agency proposes an increase in staffing of 2 positions, which would increase its staff to 7.6 personnel-years. These amounts do not include the salary and benefits of the Secretary of Environmental Affairs, who is separately funded as Chairperson of the ARB.

**Arbitration Panel Underfunded**

*We recommend that the Legislature increase in reimbursements scheduled in Item 3400-001-001 by \$316,000 to reflect increased reimbursements from the Department of Health Services for the Hazardous Substance Clean-Up Arbitration Panel.*

The budget requests \$456,000 reimbursements from the Department of Health Services (DHS) and two positions for support of the Hazardous Substance Clean-Up Arbitration Panel established by Ch 376/84. This amount consists of \$140,000 for staff support and \$316,000 in contract funds to pay arbitrators.

Chapter 376 requires the Environmental Affairs Agency to administer an arbitration panel to apportion liability for clean-up costs associated with hazardous waste sites. The responsible parties, however, are not required, to submit to binding arbitration.

The agency's request for \$316,000 in contract funds would cover 50 percent of the costs of the arbitrators. The remaining 50 percent would be paid by the responsible parties.

In our analysis of the DHS budget we recommend that the department require the responsible parties to pay the *full* cost of arbitration, and that the department require the parties to deposit these funds with DHS prior to arbitration proceedings. The DHS would then reimburse the EAA for the full cost of arbitration, rather than only 50 percent. In accordance with that recommendation, we recommend that the Legislature increase the amount of reimbursement scheduled in Item 3400-001-001 by \$316,000.

---



---



---

**Resources Agency  
COLORADO RIVER BOARD**

Item 3460 from the General  
Fund, the Environmental Li-  
cense Plate Fund and reim-  
bursements

Budget p. R 40

Requested 1986-87 .....	\$742,000
Estimated 1985-86.....	707,000
Actual 1984-85 .....	675,000
Requested increase \$35,000 (+4.9 percent)	
Total recommended reduction .....	None

**1986-87 FUNDING BY ITEM AND SOURCE**

Item—Description	Fund	Amount
3460-001-001—Support	General	\$238,000
3460-001-140—Salinity control	Environmental License Plate	10,000
Reimbursements	—	494,000
Total		\$742,000

**COLORADO RIVER BOARD—Continued****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 factors involving Colorado River resources, through negotiations and administrative action, and occasionally through litigation. The board develops a unified position on pending issues reflecting the views of those California agencies having established water rights on the Colorado River.

The board consists of 10 members appointed by the Governor. Six members are appointed from the following agencies with entitlements to Colorado River water: Palo Verde Irrigation District, Imperial Irrigation District, Coachella Valley Water District, Metropolitan Water District of Southern California, San Diego County Water Authority, and the 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 two public representatives.

The six water agencies listed above support approximately two-thirds of the board's budget and the state provides the remainder. The board is located in Los Angeles and has 10.6 authorized positions.

**OVERVIEW OF THE BUDGET REQUEST**

The budget proposes two appropriations totaling \$248,000 for support of the Colorado River Board in 1986-87. This amount consists of \$238,000 from the General Fund and \$10,000 from the Environmental License Plate Fund for the Colorado River Basin Salinity Forum. Together, these appropriations amount to \$11,000, or 4.6 percent, more than estimated expenditures of state funds in the current year.

The board's total expenditures from all funds are proposed at \$742,000. This amount consists of the \$248,000 in state funds (33 percent) and \$494,000 (67 percent) in reimbursements from the six water agencies.

**ANALYSIS AND RECOMMENDATIONS**

*We recommend approval.*

Our analysis indicates that the budget request for the board in 1986-87 is reasonable.

---

**Resources Agency**  
**DEPARTMENT OF CONSERVATION**

Items 3480 from the General  
 Fund and various other funds

Budget p. R 42

Requested 1986-87 .....	\$18,926,000
Estimated 1985-86.....	18,686,000
Actual 1984-85 .....	16,149,000
Requested increase \$240,000 (+1.3 percent)	
Total recommended reduction .....	95,000

**1986-87 FUNDING BY ITEM AND SOURCE**

Item—Description	Fund	Amount
3480-001-001—Support	General	\$13,576,000
3480-001-035—Surface mining and reclamation program	Surface Mining and Reclamation Account, General	1,695,000
3480-001-042—Caltech Seismograph Network	State Highway Account, State Transportation	12,000
3480-001-144—Caltech Seismograph Network	California Water	12,000
3480-001-398—Support	Strong-Motion Instrumentation Program	2,666,000
3480-001-472—Support	Farmlands Mapping Account, General	450,000
3480-001-890—Support	Federal Trust	(583,000)
Reimbursements	—	515,000
Total		\$18,926,000

**SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS**

*Analysis  
page*

1. Strong-Motion Instrumentation. Recommend that the department report during budget hearings on the future implementation of the Strong-Motion Instrumentation Program (SMIP) and plans for avoiding a deficit in the SMIP Fund. 420
2. Mined Land Reclamation. Recommend that the department report during budget hearings on the current status of the Mined Land Reclamation Program, the program's workload, and how the proposed funding will enable the department to meet that workload. 421
3. *Farmland Mapping. Reduce Item 3480-001-001 by \$95,000.* 422  
 Recommend deletion of \$95,000 requested from the General Fund for the Farmland Mapping and Monitoring Program because the funding source is not consistent with existing law. Further recommend that the department report at budget hearings on why it is not honoring its commitments to the Legislature regarding this program.

**GENERAL PROGRAM STATEMENT**

The Department of Conservation consists of three divisions:

1. The Division of Mines and Geology functions as the state's geologic agent. Under the direction of the State Geologist, the division conducts a strong-motion instrumentation program to measure and analyze the large-scale destructive motion of earthquakes. It is also responsible for classifying designated urban and other lands according to their mineral

**DEPARTMENT OF CONSERVATION—Continued**

content. Policy direction is given to this division by the state Mining and Geology Board, whose members are appointed by the Governor. The division also administers the farmlands mapping and monitoring program, which determines the amount of land converted to or from agricultural use.

2. The Division of Oil and Gas regulates the development, operation, maintenance, and abandonment of oil, gas, and geothermal wells.

3. The Division of Administration provides policy direction and administrative services required to meet program objectives. The open-space subvention (Williamson Act) and soils resource protection programs are also part of this division.

The department's headquarters is in Sacramento, and it has 304.3 personnel-years of staff in the current year.

**OVERVIEW OF THE BUDGET REQUEST**

The department's 1986-87 budget request from state funds and reimbursements totals \$18,926,000, an increase of \$240,000, or 1.3 percent, from current-year estimated expenditures. Total expenditures proposed in 1986-87 amount to \$19,509,000. This is essentially the same level estimated for the current year expenditures. The \$19,509,000 consists of (1) \$13,576,000 from the General Fund, (2) \$4,835,000 from various special funds, (3) \$515,000 in reimbursements, and (4) \$583,000 from the Federal Trust Fund. The expenditure trend is essentially flat because a reduction of \$260,000 in federal funds is nearly offset by the proposed increase of \$240,000 in state funds and reimbursements. Table 1 shows expenditures for the department in the past, current, and budget years. It also shows that the budget would increase the department's staff by one personnel-year in 1986-87.

**Table 1**  
**Department of Conservation**  
**Budget Summary**  
**1984-85 through 1986-87**  
**(dollars in thousands)**

Program	Personnel-Years			Expenditures			Percent Change From 1985-86
	Actual	Est.	Prop.	Actual	Est.	Prop.	
	1984-85	1985-86	1986-87	1984-85	1985-86	1986-87	
Geological Hazards and Mineral Resources Conservation .....	102.1	134.2	135.2	\$8,898	\$11,031	\$11,407	3.4%
Oil, Gas, and Geothermal Protection .....	120.8	114.1	114.1	7,012	8,260	7,913	-4.2
Land Resource Protection .....	10.7	2.5	2.5	705	238	189	-20.6
Administration .....	63.9	53.5	53.5	3,517	2,997	3,079	2.7
Distributed Administration .....	—	—	—	-3,507	-2,997	-3,079	2.7
Totals .....	297.5	304.3	305.3	\$16,625	\$19,529	\$19,509	-0.1%
Funding Source							
General Fund .....				\$12,024	\$14,560	\$13,576	-6.8%
Surface Mining and Reclamation Account .....				1,459	1,100	1,695	54.1
Strong Motion Instrumentation Program Fund .....				1,561	1,781	2,666	49.7
Farmlands Mapping Account .....				450	598	450	-24.7
Environmental License Plate Fund .....				—	120	—	-100.0
California Water Fund .....				—	12	12	—
State Highway Account, State Transportation Fund .....				—	12	12	—
Reimbursements .....				655	503	515	2.4
Federal Trust Fund .....				476	843	583	-30.8



### Division of Oil and Gas

The Division of Oil and Gas (DOG) is self-financing. Although the budget requests \$7,328,000 from the General Fund to support the DOG, the General Fund will be fully reimbursed for these costs from assessments levied on oil and gas firms and from various other fees. Thus, although the department requests a total of \$13,576,000 from the General Fund in 1986-87, the net cost to the General Fund will be only \$6,248,000 (\$13,576,000 less \$7,328,000).

The budget does not include additional funding for Merit Salary Adjustments or inflation adjustments to Operating Expenses and Equipment. The department estimates that it will have to absorb approximately \$96,000 in merit salary adjustments. The department, however, was unable to estimate the amount of inflationary costs it will have to absorb.

### Proposed Budget Changes for 1986-87

Table 2 summarizes the budget changes proposed for 1986-87 by funding source.

**Table 2**  
**Department of Conservation**  
**Proposed 1986-87 Budget Changes**  
**(dollars in thousands)**

	<i>General Fund</i>	<i>Other State Funds</i>	<i>Other<sup>a</sup></i>	<i>Totals</i>
1985-86 Expenditures (revised) .....	\$14,560	\$3,623	\$1,346	\$19,529
Proposed Changes:				
A. Workload and Administrative Adjustments				
1. Reduction of one-time projects .....	-\$1,300 <sup>b</sup>	-\$120 <sup>c</sup>	—	-\$1,420
2. Reduction in federal funds for Underground Injection Control .....	—	—	-260 <sup>d</sup>	-260
3. Miscellaneous .....	62	378 <sup>e</sup>	12 <sup>f</sup>	452
Total Workload and Administrative Changes .....	-\$1,238	\$258	-\$248	-\$1,228
B. Budget Change Proposals				
1. Strong Motion Instrumentation .....	—	\$850 <sup>g</sup>	—	\$850
2. Rent and utilities increase .....	119	31 <sup>h</sup>	—	150
3. Farmland Mapping and Monitoring .....	95	—	—	95
4. Surface Mining and Reclamation .....	—	73 <sup>i</sup>	—	73
5. Initiate Sacramento Library (1 PY) .....	40	—	—	40
Total Budget Change Proposals .....	\$254	\$954	—	\$1,208
1986-87 Expenditures (Proposed) .....	\$13,576	\$4,835	\$1,098	\$19,509
Change from 1985-86:				
Amount .....	-\$984	\$1,212	-\$248	-\$20
Percent .....	-6.8%	33.5%	-18.4%	-0.1%

<sup>a</sup> Federal Trust Fund and Reimbursements.

<sup>b</sup> Parkfield Seismic Study (-\$950,000) and Abandoned Well Hazardous Gas Study (-\$350).

<sup>c</sup> Environmental License Plate Fund.

<sup>d</sup> Federal Trust Fund.

<sup>e</sup> Farmland Mapping Account (-\$148,000), Strong-Motion Instrumentation Program Fund (\$505,000), and Surface Mining and Reclamation Account (\$21,000).

<sup>f</sup> Reimbursements.

<sup>g</sup> Strong Motion Instrumentation Program Fund.

<sup>h</sup> Strong Motion Instrumentation Program Fund (\$17,000) and Surface Mining and Reclamation Account (\$14,000).

<sup>i</sup> Surface Mining and Reclamation Account.

**DEPARTMENT OF CONSERVATION—Continued****ANALYSIS AND RECOMMENDATIONS**

We recommend approval of all workload and administrative adjustments shown in Table 2, as well as the following two proposed budget changes that are not discussed elsewhere in this analysis.

- An increase of \$150,000 in rent and utilities (\$119,000 from the General Fund and \$31,000 from other state funds) made necessary by the expiration of a lease that allowed the department to rent relatively inexpensive laboratory and office space.
- An increase of \$40,000 from the General Fund (including one additional personnel-year of staff) for a new geology library in Sacramento.

**The Strong-Motion Instrumentation Program May Not Accomplish Its Goals**

*We recommend that the department report during budget hearings on its plans for implementing the Strong-Motion Instrumentation Program (SMIP) and avoiding a deficit in the SMIP Fund.*

The budget requests a total of \$2,666,000 from the Strong-Motion Instrumentation Program (SMIP) Fund in 1986–87. This amount includes increases totaling \$850,000, which would be used to instrument 15 additional high-priority sites (\$600,000) and fund data interpretation contracts (\$250,000). The proposal also would increase the SMIP's staff by redirecting one position from elsewhere in the department. In the current year, SMIP expenditures are estimated to be \$1,781,000, or 33 percent less than the amount proposed for the budget year.

Under the SMIP, the department acquires, installs, and maintains strong-motion (earthquake) recorders in representative geologic environments and structures throughout the state. The department processes and interprets the data obtained from instrument recordings that result from earthquakes.

The department indicates that the information obtained by strong-motion instruments from minor earthquakes can be used to guide renovation of old buildings and the construction of new buildings so as to prevent major hazards when earthquakes occur. The Seismic Safety Commission (SSC) predicts that a major earthquake will occur in California within the next 25 years. Should this prediction become reality, the department also indicates that the data from these instruments would be extremely valuable in establishing engineering designs to resist future major earthquakes.

The SMIP operates under the general supervision of the Seismic Safety Commission. The program is funded by the SMIP Fund, which collects a tax of 0.007 percent imposed on the total valuation of proposed building construction. The tax is collected from building permit applicants by cities and counties.

To date, 500 strong-motion instruments have been installed at various sites throughout the state. The budget for 1986–87 would provide funding for data interpretation at these sites as well as for the installation of instruments at 48 new sites. At present, one instrument costs an average of \$40,000 to purchase and install and \$400 annually to maintain.

At current funding levels, *it will take the department 50 years* to instrument the SSC's high priority sites. At this pace, the program may not yield the benefits expected from it before and after a major earthquake occurs.

**Potential Deficit in 1987-88.** The Department of Finance estimates that the total resources available in the SMIP Fund (including carryover funds) will be \$3,040,000 in 1986-87. Thus, the proposed expenditure of \$2,666,000 in 1986-87 would leave the fund with a reserve of \$374,000. Assuming fund revenues remain constant, this would mean that about \$2,124,000 will be available for expenditure in 1987-88. This would not be enough to finance the \$2,685,000 needed to maintain the program at the level proposed for 1986-87 and fund the maintenance of 48 new instruments. We estimate that the shortfall would be \$561,000.

It appears to us that many more instruments are needed to satisfy SSC's data needs. Thus, we recommend approval of the \$850,000 augmentation requested for the program in 1986-87 (Item 3480-001-398). This augmentation, however, will do little to reduce the 50 years that the department estimates it will take to instrument high-priority sites.

Given the apparent need to accelerate the program if its objectives are to be achieved at the looming shortfall in the SMIP Fund, we recommend that the department report at budget hearings on its plans for implementing the SMIP and avoiding a deficit in the SMIP Fund.

#### **Reclamation Program Is in Low Gear**

*We recommend that the department report at budget hearings on the current status of the Mined Land Reclamation Program, the program's workload, and how the budget will enable the department to meet that workload.*

The 1986-87 budget requests \$1,695,000 from the Surface Mining and Reclamation Account in the General Fund for program activities to be conducted under the Surface Mining and Reclamation Act (SMARA) of 1975. The 1986-87 budget request consists of \$1,489,000 for mineral land classification and \$206,000 for reclamation activities. The Surface Mining and Reclamation Account will receive \$2 million in 1986-87 from the state's share of federal onshore royalties from the extraction of oil and other minerals in California.

The SMARA requires the department to classify, according to mineral content, lands subject to urbanization and other irreversible land uses. Areas containing significant mineral deposits are designated by the Mining and Geology Board for protection via local land-use planning and regulation. The SMARA also requires the reclamation of mined lands to a usable condition. Local governments are responsible for implementing the reclamation requirements of the act. They may, however, seek technical assistance from the department in reviewing reclamation plans.

**Decrease in Reclamation Program.** In 1981-82, the Mined Land Reclamation Program accounted for 25 percent of the total SMARA expenditures. In 1986-87 the reclamation program would account for 12 percent of proposed SMARA expenditures. The department attributes this decline to reduced workload. It cites the depressed state of the domestic mineral industry as the reason why there has been a decrease in new mining activity. We find, however, that according to a recent survey by the DOC, in as many as 15 percent (up to 200) of the mines currently in operation do not have approved reclamation plans.

**DEPARTMENT OF CONSERVATION—Continued**

**Unmet Workload.** Local government planners have indicated to us that the technical assistance provided by the state has fallen off in recent years. They claim that prior to 1984 the department provided suggestions that improved the reclamation plans submitted to them and reduced processing time and costs. Now, however, these local planners rarely request state review of the plans because usually they are returned with a cursory "no comment." The planners maintain that this weakens the review process because they lack the expertise needed to approve reclamation plans.

According to the department, 73 plans were filed by local governments with the reclamation program during the first half of 1985–86. In only 28 cases, however, did the local agency request state review. Of these plans, 19 plans were reviewed and commented upon; three were received "too late" for comment, and six were reviewed but not commented upon because "staff lacked the appropriate expertise."

We also note that site visits by reclamation staff have declined dramatically. From January 1981 to June 1984, 127 site visits were performed by the reclamation staff. There have been only seven site visits since July 1984. In part, the decline reflects a shift in priorities within the department. In January 1984, the reclamation staff was directed to confine its efforts to producing a manual entitled "Surface Mined Land Reclamation Planning and Implementation in California," aimed at assisting local governments. In September 1985, the department indicated to the Legislature that the manual was "nearing completion." Now, the department indicates that the manual will not be completed until 1987, even though an estimated \$230,000 has already been spent on this project.

Since 1984, four technical experts in the program have left their positions. Of the two technical positions currently authorized for the program, only one is filled.

Based on these findings, we conclude that the reductions in the Mined Land Reclamation Program during the past few years do not result primarily from workload reductions; instead, they reflect a decision by the department to give reclamation of mined lands a low priority. Accordingly, we recommend that the DOC report during budget hearings on (1) the current status of the Mined Land Reclamation Program, (2) the program's workload, and (3) the extent to which the resources requested in the budget will enable the department to meet that workload.

**Farmland Mapping Program Is Also Stalled**

*We recommend that the Legislature delete \$95,000 requested from the General Fund for the Farmland Mapping and Monitoring Program (FMMP) because the proposal is not consistent with existing law (Reduce Item 3480-001-001 by \$95,000). We further recommend that the department report at budget hearings on why it is not honoring its previous commitments to the Legislature.*

The budget requests \$545,000 for the Farmland Mapping and Monitoring Program (FMMP) in 1986–87. This amount consists of \$450,000 from the Farmlands Mapping Account in the General Fund and \$95,000 from the General Fund.

The FMMP was created by Ch 13/1982, which requires the department to: (1) prepare a base-year farmland map for each of the 40 counties with

existing soil survey maps, (2) update these maps annually, (3) determine the amount of land converted to or from agricultural use, and (4) publish an annual farmland inventory report.

**Program Funding.** Section 51283 of the Government Code established the Farmland Mapping Account (FMA) as the funding source for the program. The FMA receives \$450,000 annually from Williamson Act cancellation fee revenues. Last year, the department requested a one-time augmentation of \$148,000 from the FMA for the preparation of interim farmland maps for four counties in which federal soil surveys had not been conducted. The Legislature approved the additional funds contingent on the enactment of legislation raising the FMA funding limit (Ch 1342/85).

For 1986-87, the department is requesting a *General Fund* augmentation for the Farmland Mapping Program, on the basis that the statutory limit on revenues—\$450,000—is not adequate.

**Unmet Commitments.** In December 1984, the department indicated to the Legislature that by June 30, 1985, all necessary revisions will be done for the 40 project counties, and "the maps will reflect 1984 baseline conditions." Based on this schedule, the department should have produced its first annual farmland report in December 1985.

Subsequent to its December 1984 assurances, the department dissolved the Division of Land Resource Protection, in which the farmland mapping program was located, and reassigned the program to the Division of Mines and Geology. The DOC indicates that this reorganization had "no adverse impact" on the program. At the same time, the department reports that, even with the additional \$95,000 it is requesting for 1986-87, the base-year maps will not be completed until October 1986, and "the first conversion report would be released in June 1988." Even this schedule presumes that the Legislature will enact legislation changing the FMMP's annual conversion report to a *biennial* report.

The department's request for \$95,000 from the General Fund is not consistent with existing law, which establishes the Farmlands Mapping Account as *the* funding source for this program and places a cap of \$450,000 on annual revenue to the account. Furthermore, the department has not provided any specific workplan that justifies the need for additional funds—particularly in view of the fact that four of the nine positions currently authorized for the program are vacant. Finally, the department's track record gives the Legislature little assurance that anything will be accomplished with the additional funds. On this basis, we recommend that Item 3480-001-001 be reduced by \$95,000 to delete General Fund support for the farmland mapping program. We further recommend that the department report at budget hearings on why it is not honoring its commitments to the Legislature regarding program accomplishments.

---

**Resources Agency**  
**DEPARTMENT OF FORESTRY**

Item 3540 from the General  
Fund and various funds

Budget p. R 52

Requested 1986-87 .....	\$279,748,000
Estimated 1985-86 .....	264,764,000
Actual 1984-85 .....	231,523,000
Requested increase \$14,984,000 (+5.7 percent)	
Total recommended reduction .....	1,312,000
Recommendation pending .....	8,928,000

**1986-87 FUNDING BY ITEM AND SOURCE**

Item—Description	Fund	Amount
3540-001-001—Primary support	General	\$193,034,000
3540-006-001—Emergency fire suppression	General	7,362,000
3540-001-036—Support	Special Account for Capital Outlay	900,000
3540-001-140—Forest practices, vegetation management	Environmental License Plate	4,015,000
3540-001-300—Board of Forestry, registration of foresters	Professional Foresters Registration Fund	117,000
3540-001-890—Support	Federal Trust	(2,619,000)
3540-001-928—California forest improvement program, forest practices	Forest Resources Improvement	3,478,000
3540-001-940—Watershed mapping, soil erosion studies, timber harvest plan review	Renewable Resources Investment	619,000
3540-001-965—Administration of timber harvest tax	Timber Tax	23,000
3540-011-928—Transfer to General Fund for cost of state forest system	Forest Resources Improvement	(1,533,000)
Reimbursements	—	70,200,000
Total		\$279,748,000

**SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS**

*Analysis  
page*

1. Consulting and Professional Services. Withhold recommendation on \$7,295,000 requested for consulting and professional services contracts pending analysis of information identifying (1) the contracts to be funded and (2) the cost of each. 429
2. Special Repairs/Deferred Maintenance. Withhold recommendation on \$900,000 requested from the Special Account for Capital Outlay (Item 3540-001-036), pending review of the department's proposal. Recommend that the department advise the Legislature why it has not complied with supplemental report language directing it to submit a multiyear deferred maintenance/special repair plan. 430
3. Various Proposals. Withhold recommendation on \$733,000 requested for (1) studies on hardwood management (\$350,000), (2) the modification of one helicopter 431

- (\$241,000) and (3) genetic conservation projects (\$142,000), pending further review of the proposals.
4. Fair Labor Standards Act. Recommend the department report at budget hearings on the status of the renegotiations with the CDF Employees' Association. 431
  5. Vegetation Management Program. Recommend that the Department of Finance identify at the time of budget hearings, a funding source for the Vegetation Management program more appropriate than the Environmental License Plate Fund. 433
  6. *Closing of Region V Headquarters. Reduce Item 3540-001-001 by \$1,019,000 and 16.5 positions.* Recommend reduction because the department has closed the Region V Headquarters and indicates that this staff is not required. Further recommend that the department report prior to budget hearings on its plans for (1) the remaining 19.8 positions in Region V, and (2) the facility previously occupied by the Region V Headquarters staff. 434
  7. *Schedule A Adjustments. Reduce Item 3540-001-001 by \$293,000.* Recommend General Fund reduction because the department will receive increased reimbursements for ongoing administrative overhead costs, and therefore does not require General Fund support for these activities. 435
  8. Forest Practice Staffing. Recommend the department report at budget hearings on the actions it has taken to meet the increased workload in its Forest Practices program with a reduced staff. 436

### GENERAL PROGRAM STATEMENT

The Department of Forestry (CDF) provides fire protection services directly or through contracts for approximately 32.8 million acres of privately owned timber, range, and brushland in California. In addition, CDF provides fire protection to approximately 3.7 million acres of federal land under contracts with the U.S. Forest Service, the Bureau of Land Management (BLM), and other federal agencies. It also contracts with 46 counties to provide fire protection services in 59 areas for which local governments are responsible.

In addition, the department (1) operates 42 conservation camps and centers, (2) regulates timber harvesting on private forestland, (3) provides advisory and financial assistance to landowners on forest and range management, (4) regulates and conducts controlled burning of brushlands, (5) manages seven state forests, and (6) operates three tree nurseries.

The nine-member Board of Forestry provides policy guidance to the department. It establishes forest practice rules and designates which private wildlands are state responsibility lands for fire protection purposes. The members of the board are appointed by the Governor. The department has 3,947 personnel-years of staff in 1985-86.

### OVERVIEW OF THE BUDGET REQUEST

The budget requests \$279,748,000 from the General Fund, various other state funds and reimbursements for support of the California Department of Forestry (CDF) in 1986-87. This is an increase of \$14,984,000 or 5.7 percent, above estimated current-year expenditures from these same sources.

**DEPARTMENT OF FORESTRY—Continued**

The budget does not include additional funding for Merit Salary Adjustments (MSA) or inflation adjustments to Operating Expenses. We estimate that the department will have to absorb approximately \$2.3 million in such costs.

The budget proposes total expenditures of \$282,367,000 (including federal funds) for support of the department during 1986-87. This amount is \$14,880,000, or 5.6 percent, more than the estimate of total expenditures for the current year.

**Reimbursements**

The budget indicates that the department expects to receive a total of \$70,200,000 in reimbursements during 1986-87. Table 1 lists the major sources of these reimbursements. The largest amount, \$59,780,000, comes from local governments that receive fire protection and paramedic services from CDF on a contractual basis.

The department is a party to two types of contracts with local governments. Under *Schedule A contracts*, local governments reimburse the state for the full cost of year-round fire protection. Under *Amador Plan contracts*, local governments reimburse the state for only the *incremental costs* of using CDF employees and equipment to provide local fire protection during the winter (nonfire season).

The department also receives reimbursements from (1) various federal agencies for fire protection services on federal lands, (2) the California Department of Corrections for the operations of conservation camps, and for training inmates at these camps, (3) the California Conservation Corps for supervising and training corpsmembers in firefighting, and (4) CDF personnel for housing, food, and other services.

**Table 1**  
**Department of Forestry**  
**Budgeted Reimbursements by Source**  
**1986-87**

*Program and Source of Funds*

Local fire protection services provided to counties, cities, and special districts by CDF	\$59,780,000
Conservation center instructors and camp support (Department of Corrections) .....	6,500,000
Supervision and training of corpsmembers—(California Conservation Corps) .....	1,300,000
Assistance to CAMP Program .....	800,000
Payments by employees for subsistence, housing and other services provided by CDF	1,075,000
Miscellaneous .....	745,000
Total Reimbursements.....	\$70,200,000

**Expenditures by Program**

Table 2 shows the department's expenditures by program, staffing levels, and funding sources for the past, current, and budget years.



**Table 2**  
**Department of Forestry**  
**Budget Summary**  
**1984-85 through 1986-87**  
**(dollars in thousands)**

Program	Personnel-Years			Expenditures			Percent Change From 1985-86
	Actual	Est.	Prop.	Actual	Est.	Prop.	
	1984-85	1985-86	1986-87	1984-85	1985-86	1986-87	
Wildland fire protection and prevention—operations ..	2065.9	1946.3	1957.2	\$130,730	\$150,440	\$155,887	3.6%
Local fire protection (Schedule A) .....	828.9	967.5	1021.8	39,939	52,518	59,780	13.8
Conservation camps .....	420.2	490.1	552.6	25,742	33,105	36,783	11.1
Emergency fire suppression ..	NA	NA	NA	16,847	8,362	7,862	-6.0
Forest practice regulation .....	65.3	68.2	68.1	4,542	5,043	5,221	3.5
Other resource management programs .....	153.7	156.5	160.3	17,002	18,019	16,834	-6.6
Administration (distributed to other programs) .....	243.7	318.0	314.2	(17,794)	(19,745)	(20,681)	4.7
Totals .....	3777.7	3946.6	4074.2	\$234,802	\$267,487	\$282,367	5.6%
Funding Source							
General Fund .....				\$170,942	\$190,656	\$200,396	5.1%
Special Account for Capital Outlay .....				—	—	900	NA
Environmental License Plate Fund .....				2,989	259	4,015	1450.2
Energy and Resources Fund .....				1	3,602	—	-100.0
Professional Foresters Registration Fund .....				102	113	117	3.5
Forest Resources Improvement Fund .....				4,122	5,391	3,478	-35.5
Renewable Resources Investment Fund .....				762	728	619	-15.0
Timber Tax Fund .....				1	22	23	4.5
Federal Funds .....				3,279	2,723	2,619	-3.8
Reimbursements .....				52,604	63,993	70,200	9.7

### 1985 Emergency Firefighting Costs Not Reflected in CDF's Budget

In contrast to the practices followed in past years, the 1985-86 estimated expenditures as displayed in the Department of Forestry's budget do not reflect the estimated deficiency costs of emergency fire suppression in the current year. Consequently, *actual* expenditures by the department in 1985-86 will be significantly larger than the amount shown in the CDF display. The emergency firefighting costs *are* reflected, however, in the budget document's display for Item 9840 (Reserve for Contingencies or Emergencies).

The department estimates that due to the severity of the 1985 fire season, emergency fire suppression expenditures in 1985-86 will be approximately \$20 million to \$28 million greater than the \$7 million appropriated for this purpose in the 1985 Budget Act.

Legislation already enacted in 1985 will pay for part of these costs. Specifically, Chapter 1425 (Cortese) appropriated \$10,893,000 for allocation by the Director of Finance to pay for the department's emergency fire suppression costs. The balance—between \$9 million and \$17 million—*may* be funded from the appropriation in Chapter 1562 (W. Campbell). Chapter 1562 appropriated \$20 million to the Disaster Response-Emergency Operations Account which is available upon allocation by the Director of Finance to pay for state disaster response costs. These costs could include CDF's 1985-86 fire suppression costs. To the extent that the department's emergency fire suppression costs are not covered by alloca-

**DEPARTMENT OF FORESTRY—Continued**

tions from the appropriations in these measures, the department presumably will request a deficiency appropriation.

None of these costs are reflected in the estimated expenditures in CDF's budget item.

**Proposed Budget Changes for 1986-87**

Table 3 summarizes proposed budget changes for 1986-87, by funding source.

**Table 3**  
**Department of Forestry**  
**Proposed Budget Changes, By Fund**  
**1986-87**  
**(dollars in thousands)**

	<i>General Fund</i>	<i>Special Funds<sup>a</sup></i>	<i>Federal Funds</i>	<i>Reimburse- ments</i>	<i>Totals</i>
1985-86 Expenditures (revised) .....	\$190,656	\$10,115	\$2,723	\$63,993	\$267,487
1. Administrative and Workload adjustments					
a. Carryover of 1985-86 costs for duty week changes and overtime provisions of contract with employees .....	(9,554) <sup>b</sup>	(5) <sup>b</sup>	(3) <sup>b</sup>	(8,290) <sup>b</sup>	(17,852)
b. Net additional 1986-87 costs for duty week changes and overtime provisions	2,042 <sup>b</sup>	—	—	591 <sup>b</sup>	2,633 <sup>b</sup>
c. Increase in salary and benefit costs .....	7,242 <sup>b</sup>	90	14	6,417 <sup>b</sup>	13,763 <sup>b</sup>
d. One-time adjustments (-8.7 py) .....	-6,385	-84	—	-1,059	-7,528
e. Camps funding shift .....	2,300	—	—	-2,300	—
f. Increased payment to contract counties for fire protection .....	2,157	—	—	—	2,157
g. Increased payment to US Forest Service for fire protection .....	814	—	—	—	814
h. Federal payments for participation in CAMP Program .....	—	—	—	710	710
i. Forest Improvement Program—reduction in funds available for grants .....	—	-2,234	—	—	-2,234
j. Special repairs funding shift .....	-900	900	—	—	—
k. Miscellaneous adjustments .....	97	237	-118	-1,135	-919
2. Significant program changes					
a. Conservation camps expansion and additions (1.5 py) .....	—	—	—	86	86
b. Expansion of volunteer public awareness programs .....	375	—	—	—	375
c. Schedule A fire protection (54.3 py) .....	—	—	—	2,897	2,897
d. Dutch Elm disease (8.7 py) .....	676	—	—	—	676
e. Physical Fitness Program (1.4 py) .....	508	—	—	—	508
f. Pest management .....	158	—	—	—	158
g. Helicopter inspection and buildup .....	241	—	—	—	241
h. Gene conservation .....	—	142	—	—	142
i. Hardwood range management information .....	350	—	—	—	350
j. Minor changes .....	63	-14	—	—	51
1986-87 Expenditures (proposed) .....	\$200,396	\$9,152	\$2,619	\$70,200	\$282,367
Change from 1985-86:					
Amount .....	\$9,740	-\$963	-\$104	\$6,207	\$14,880
Percent .....	5.1%	-9.5%	-3.8%	9.7%	5.6%

<sup>a</sup> Special Account for Capital Outlay, California Environmental License Plate Fund, Resources Account, Energy and Resources Fund, Professional Foresters Registration Fund, Forest Resources Improvement Fund, Renewable Resources Investment Fund, Timber Tax Fund.

<sup>b</sup> Estimate by Legislative Analyst's office.

## **ANALYSIS AND RECOMMENDATIONS**

We recommend approval of the following proposed changes which are not discussed elsewhere in the analysis:

### **Workload and Administrative Adjustments**

- Increases totaling \$13,763,000 (\$7,242,000 General Fund) for salary and benefit increases as a result of approved collective bargaining agreements.
- A reduction of \$7,528,000 from various funds to eliminate money for one-time costs incurred in 1985-86.
- A General Fund increase of \$2,300,000 and a corresponding decrease in reimbursements from the Department of Corrections (CDC) and the California Youth Authority (CYA) in order to reflect the ongoing cost of operating several conservation camps within the CDF's budget. (A corresponding General Fund reduction has been made in the budgets of the CDC and CYA.)
- A General Fund increase of \$2,971,000 to pay contract counties and the U.S. Forest Service for firefighting costs for state responsibility areas. The increase results from increases in state salaries and staff benefits, to which these contracts are tied.
- A reduction of \$2,234,000 in the amount provided from the Forest Resources Improvement Fund for rural reforestation grants under the California Forest Improvement Program (CFIP), due to a reduction in the amount available in the fund.

### **Program Changes**

- An increase of \$86,000 in reimbursements from the CYA for additional staff needed to operate conservation camps.
- An increase of \$375,000 from the General Fund to expand the Volunteers in Prevention Program to seven additional ranger units (\$175,000), and to fund an advertising contract for fire prevention (\$200,000).
- Continuation of funding (\$676,000 General Fund) for the Dutch Elm Disease program to make it a permanent, rather than a limited-term program.
- An increase of \$508,000 from the General Fund to develop and implement physical ability standards and testing for firefighting personnel to comply with a special order from Cal-OSHA.
- An increase of \$158,000 from the General Fund to expand activities related to the detection, evaluation, and suppression of forest pests.

### **Information from Department of Forestry and Department of Finance is Lacking or Untimely**

On the three issues that follow, we regretfully must withhold recommendation at this time. The reason why we cannot make a recommendation is that the department and the Department of Finance either (1) did not provide the information needed to support the budget request or (2) submitted supporting documentation too late for us to review in time for this analysis.

### **Consulting and Professional Services**

*We withhold recommendation on \$7,295,000 requested for consulting and professional services contracts, pending receipt and analysis of information from the department identifying the contracts to be funded and the cost of each one.*

**DEPARTMENT OF FORESTRY—Continued**

The budget proposes total expenditures of \$8,477,000 for professional and consulting contracts in 1986–87. Of this amount, the department proposes to spend \$1,731,000 on contracts with other state departments, and \$6,746,000 on contracts with entities outside state government.

The department has provided information which identifies how \$1,182,000 of this amount will be spent. These expenditures are appropriate and should be approved.

The department, however, has failed to provide any information on the proposed uses for the remaining \$7,295,000. If the department needs funds in the budget year for consulting and professional services, it should be able to provide detail on what services are required and the estimated costs of these services. Without this information, we have no basis on which to recommend approval of the funds.

Accordingly, we withhold recommendation on \$7,295,000 requested for unidentified professional and consulting contracts, pending receipt of information on (1) the specific contracts or services to be funded and (2) the costs of the individual contracts. The budget does not identify how the \$7,295,000 is allocated among the department's funding sources.

**Special Repairs Budget**

*We withhold recommendation on \$900,000 requested from the Special Account for Capital Outlay (Item 3540-001-036) for deferred maintenance and special repairs pending review of the department's proposal. We further recommend that during budget hearings, the department explain why it failed to comply with supplemental report language directing it to submit a multiyear deferred maintenance/special repairs plan with its proposed 1986–87 budget.*

The department requests \$900,000 from the General Fund, Special Account for Capital Outlay (SAFCO), for deferred maintenance and special repairs at CDF's fire stations, conservation camps, and other facilities. This amount is the same as estimated expenditures for this purpose in 1985–86.

**Department Has Not Complied With Supplemental Report Language.** During hearings on the 1985 Budget Bill, the department requested an increase of \$750,000 in its special repairs budget (from \$150,000 to \$900,000). The department indicates that funds were needed to address a backlog of maintenance and repair requirements at existing fire stations that had arisen because of budget restrictions in previous years. At that time, however, the department was unable to provide the Legislature with information on the size of the backlog or the total cost of addressing the backlog.

As a result, the Legislature adopted language in the *Supplemental Report of the 1985 Budget Act*, directing the department to submit a multiyear deferred maintenance/special repairs plan with its proposed 1986–87 budget. The plan was to address (1) any existing backlog, (2) a schedule for eliminating the backlog, and (3) the ongoing deferred maintenance/special repair needs of the department. The department did not submit this plan with its proposed budget.

Without the multiyear plan, there is no basis for determining how much is needed by the department in 1986–87 or subsequent years. In fact, without a plan, we cannot confirm that there is a backlog that cannot be handled within the department's ongoing regular maintenance budget.

***Justification for Proposed Expenditures Was Delayed.*** The department provided the Legislature with information on how it proposes to spend the \$900,000 requested for 1986-87 too late to permit a meaningful review of the request. The supporting documentation was provided nearly two weeks *after* the Governor's Budget was published.

Accordingly, we withhold recommendation on \$900,000 requested from SAFCO, pending receipt and analysis of the multiyear plan and review of the department's expenditure plan for the \$900,000. We recommend that the department report during budget hearings on why it failed to comply with supplemental report language which requires it to submit a multi-year deferred maintenance/special repairs plan to the Legislature with its budget proposal.

#### **Too Little, Too Late**

***We withhold recommendation on \$733,000 requested for three different projects, pending further review of the department's proposals. (Withhold recommendation on \$591,000 in Item 3540-001-001 and \$142,000 in Item 3540-001-140.)***

The budget also requests (1) \$350,000 for the development and dissemination of information on the management of hardwoods, (2) \$241,000 to outfit one helicopter for firefighting and vegetation management in southern Monterey County, and (3) \$142,000 for the genetic conservation of and research on various species of trees.

Whenever the budget proposes a significant change in a department's budget, the department is required to develop a detailed justification for its request. Generally, this information is provided to the Legislative Analyst's office for review shortly after the decision to request the funds is made. We did not receive information for the three proposals listed above, however, in a sufficiently timely manner to allow for a meaningful review prior to when this analysis was prepared.

Consequently, we withhold recommendation on the \$733,000 requested for (1) studies on hardwood management (\$350,000), (2) the outfitting of one helicopter (\$241,000), and (3) genetic conservation and analysis of various species of trees (\$142,000), pending review of the proposals.

#### **Implementation of the Federal Fair Labor Standards Act**

***We recommend that during budget hearings the department report on the status of negotiations with the CDF Employees' Association, including (1) the specific issues being renegotiated, (2) the issues where agreement has been reached between the two parties, and (3) the implications that resolution of these issues will have for the budget.***

The budget requests \$17,852,000 and 80.7 PY's in the current year, and \$20,485,000 and 111.1 personnel-years in 1986-87 to cover the increased cost of (1) changes in employees duty weeks and (2) the overtime provisions negotiated by the Department of Personnel Administration with the California Department of Forestry Employees' Association in the spring of 1985. These increases are in addition to the regular salary and benefit increases that also were negotiated last year for CDF employees. These changes were adopted primarily to implement provisions of the federal Fair Labor Standards Act.

Local governments will reimburse the state for approximately \$8.3 million in the budget year.

***The Fair Labor Standards Act.*** The federal Fair Labor Standards Act (FLSA) requires employers to maintain conditions of employment for

**DEPARTMENT OF FORESTRY—Continued**

their employees. The FLSA specifically exempts certain categories of employees, such as executive, administrative, or professional personnel, from its provisions. In addition, it was believed that, as a result of the Supreme Court's decision in *National League of Cities (NLC) v. Usery* (1976) state and local governments were also exempt from FLSA provisions.

As a result, CDF's traditional duty week and compensatory time off (CTO) policies were not consistent with what the FLSA requires. The major differences were as follows:

1. **Minimum Wage.** On a strict hourly basis, CDF paid some of its firefighters less than minimum wage. This is because the workweek for some CDF employees included time spent sleeping at fire stations. The monthly salary of these employees did not count sleep time as hours worked. The U.S. Department of Labor (DOL) regulations, however, require sleep time to be included as compensable hours. Consequently, when the monthly salary of some CDF firefighters was divided by the number of hours in a workweek, defined to include sleep time, the hourly salary was below the minimum wage.

2. **Overtime.** FLSA requires employees to be paid for one and one-half hours for each hour of overtime worked. CDF compensated most of its employees for overtime worked by giving one workshift of compensatory time off (CTO) for each workshift of overtime. Because the number of hours in a shift during fire season tended to be greater than the number of hours in a shift worked during the nonfire season, this translated into less than one hour of CTO for each hour of overtime worked.

On February 19, 1985, in ruling on *Garcia v. San Antonio Metropolitan Transit Authority*, the U.S. Supreme Court reversed its decision in the *NLC v. Usery* case, and ruled that public employees were subject to the FLSA. Regulations issued by the DOL required state and local governments, as of April 15, 1985, to pay these employees minimum wage (calculated using DOL guidelines), and pay for overtime hours at a rate of one and one-half times the normal pay rate.

**CDF Contract Includes FLSA Provisions.** In the spring of 1985, the Department of Personnel Administration, in negotiating the contract between the State and the CDF Employees' Association, agreed to comply with the provisions of the FLSA for CDF firefighters. Consequently, the current contract between the two parties provides for:

- An increase in salary and wages for certain classes of firefighters in order to meet the minimum wage requirements of FLSA.
- A reduction in the number of hours in a work week for certain classes of firefighters.
- Payment of overtime in cash, at the time and one-half rate.

The provision reducing the number of hours in the work week requires a corresponding increase in the number of firefighting personnel. Even with the fewer hours in a standard work week, many classes of firefighters will work 23 hours of *planned* overtime per week.

**No Provisions to Renegotiate Contract Provisions Pertaining to FLSA.** In November 1985, Congress amended the FLSA to allow state and local government to (1) delay compliance with the new requirements until April 15, 1986, and (2) compensate overtime by providing CTO at time and one-half, rather than by providing compensation in cash. The revised act allows safety and fire suppression personnel to accrue up to 480 hours of CTO.

The CDF currently is operating under a contract meant to comply with the provisions of the FLSA *before* it was amended. As a result, state costs in the current and budget year will be significantly greater than what they would be if the contract were based on the *current* FLSA requirements.

The contract between the State and the firefighters' employee association does not contain a provision requiring renegotiation in the event the FLSA is amended, even though proposals to amend the FLSA were put forward shortly after the Supreme Court reversed its position in the *NLC v. Usery* case. As a result, the contract can be reopened *only* if both the state and the employees' association agree to reopen it. While both parties have agreed to reopen the contract, the parties had not been able to agree on new terms at the time this analysis was written.

***Additional Costs of the Contract Negotiated by DPA.*** Our analysis of the costs associated with the duty week changes and overtime provisions negotiated between the state and the employees' association indicates that the costs will exceed the \$20,485,000 budgeted for 1986-87 by approximately \$7.9 million if the 1986 fire season is "average." These costs have not been recognized in the budget.

We recommend that during budget hearings, the department report on the status of its efforts to renegotiate the current contract with the CDF Employees' Association. Specifically, it should report on (1) the provisions being renegotiated, (2) the issues which have been resolved, and (3) the fiscal implications of any agreements reached or likely to be reached.

#### **Vegetation Management Funding Shift**

***We recommend that the Department of Finance identify at the time of budget hearings a funding source for the Vegetation Management Program that is more appropriate than the Environmental License Plate Fund.***

The budget requests \$3,588,000 from the Environmental License Plate Fund (ELPF) in 1986-87 to continue helicopter operations and prescribed burnings under the Vegetation Management program. This amount is essentially the same as estimated expenditures in the current year (a reduction of \$14,000). In 1985-86, funding for the program is being provided from the Energy and Resources Fund (ERF). The department proposes to shift the source of funding for the program from the ERF to the ELPF because it believes that the shift would "provide funding from a more stable source."

Chapter 692, Statutes of 1985 (SB 1165), revised the purposes for which ELPF monies may be used. Under Chapter 692, ELPF funds may be used *only* for:

- Control and abatement of air pollution.
- Acquisition, preservation, and restoration of natural areas or ecological reserves.
- Environmental education.
- Protection of nongame species and threatened and endangered plants and animals.
- Protection, enhancement, and restoration of fish and wildlife habitat and related water quality.
- Purchase of real property, consisting of sensitive natural areas, for the state, local, or regional park systems.
- Reduction of minimization of the effects of soil erosion and the discharge of sediment into the waters of the Lake Tahoe region.

**DEPARTMENT OF FORESTRY—Continued**

Our review of the department's Vegetation Management program indicates that it does not satisfy any of these criteria. The primary purpose of most controlled burns is to prevent high intensity wildland fires through the reduction of wildland fuels. This is not a purpose for which the Legislature has approved the use of ELPF funds.

While it is true that, in some cases, controlled burning may improve wildlife habitat, this is an ancillary result of the program. For instance, the CDF rarely consults with DFG on the *selection* of areas to be burned. Because the primary purpose of the vegetation management program is fire prevention, it appears inconsistent with Legislative intent to fund this program from the Environmental License Plate Fund. Our analysis indicates that the amount requested for the Vegetation Management program is justified. However, the ELPF is not an appropriate funding source for this program. Consequently, we recommend that the Department of Finance identify to the Legislature a funding source for the Vegetation Management program that is more appropriate than the ELPF.

**Region V Headquarters Closing**

*We recommend a reduction of \$1,019,000 and 16.5 positions associated with the operation of the former Region V Headquarters because the department has indicated that the positions are not needed. We further recommend that prior to budget hearings the department report on its plans for (1) the remaining 19.8 positions, and (2) the facility previously occupied by Region V staff. (Reduce Item 3540-001-001 by \$1,019,000.)*

**Background.** The Department of Forestry's administrative structure can best be described as a three-tiered hierarchy. Statewide operations are administered by state headquarters in Sacramento. At the second level, the state is divided into regions, each of which is administered by a regional headquarters. Within each region there are four to six ranger units which supervise the department's line operations within a specific subarea.

**Reorganization Plan.** For the past several years, the state has been divided into five regions. In the current year, the department took administrative actions to close its Region V Headquarters in Monterey. Region V extended from Contra Costa County at the northern end to Santa Barbara County in the south, and also included the Counties of Santa Cruz, Santa Clara, Alameda, San Mateo, San Benito, Monterey, and San Luis Obispo. Within this area, the department is responsible for providing fire protection services to approximately six million acres of forests, watershed areas, and rangeland—approximately 19 percent of the total statewide area for which the department is responsible.

The Region V Headquarters coordinated all fire prevention, firefighting, and forest practice activities within the region. In addition, it communicated information and policies established by the state headquarters to personnel in the region.

Effective January 1, 1986, administrative responsibility for the Region V area was divided and transferred to three other regional headquarters—Santa Rosa, Fresno, and Riverside. The department indicates that it implemented this reorganization to equalize the size of the four remaining regions, thereby improving administrative efficiencies and permitting a reduction in administrative staff and associated costs.

**No Savings Identified in the Budget.** Of the 36.3 positions author-



ized in 1985-86 for the Region V Headquarters, the department indicates that 16.5 positions can be eliminated. The budget, however, does not reflect any reduction in staff costs or operating expenses associated with these positions. Accordingly, we recommend that the Legislature delete \$1,019,000 and 16.5 positions from the amount requested for administration. This amount consists of (1) \$871,000 for salary, wages, and staff benefits, and (2) \$148,000 for operating expenses associated with the 16.5 positions.

**Other Unresolved Issues.** The department has not provided any information on what will be done with the 19.8 positions currently assigned to the Region V Headquarters. If the department intends to redirect these positions elsewhere in the department, it should identify the responsibilities that these positions will have.

The department also has not provided any information on what will be done with the facility previously occupied by the Region V Headquarters. The building previously occupied by Region V Headquarters is a state-owned building. The CDF managed the building and leased portions of it to the Departments of Parks and Recreation and Fish and Game. CDF has not identified what effect closing the Region V Headquarters will have on the two departments or on the amount of rent received by CDF. It is also unclear whether CDF intends to continue use of the building, or whether CDF's space will be made available for other departments.

Consequently, we further recommend that prior to budget hearings, the department report on what it intends to do with (1) the 19.8 positions previously assigned to the Region V Headquarters and (2) the facility previously occupied by the Region V Headquarters staff.

#### **Schedule A Adjustments**

*We recommend a General Fund reduction of \$293,000 (Item 3540-001-001) because the department will receive increased reimbursements for existing administrative overhead costs, and therefore does not require General Fund support for these activities. (Reduce Item 3540-001-001 by \$293,000).*

The Department of Forestry provides fire protection and paramedic services to local governments on a contractual basis under the "Schedule A" program. The department charges local entities for both the direct and indirect costs of these services. Direct costs include the salary and benefits of firefighters and paramedics providing service to the local entities, and the associated operating expense and equipment costs. Indirect costs, or overhead, include the costs of accounting, budgeting, and supervisory personnel which are not directly traceable to the service performed.

In the budget year, indirect costs are calculated at 11.26 percent of direct costs. The indirect cost ratio is calculated annually, based on the ratio of indirect to direct costs of the department as a whole in the prior year.

The CDF budget requests a net increase of 54.3 personnel-years and \$2,897,000 in reimbursements from local governments to increase the level of service provided by CDF under Schedule A contracts. Of this amount, \$293,000 is requested for administrative overhead. The department indicates that this money will be used to support *existing* personnel who were hired, at least in part, to address the increased workload created by the expanding Schedule A program in prior years. Schedule A reimbursements did not pay for these increased costs in prior years, however, because the rates are based on costs incurred in past year, rather than on

**DEPARTMENT OF FORESTRY—Continued**

proposed expenditures. Instead, the General Fund picked up this cost.

Because \$293,000 will be available from the Schedule A program to pay for these costs, the budget should reflect a corresponding reduction in the General Fund appropriation. Our analysis indicates, however, that the budget does *not* reflect this reduction.

Consequently, we recommend that the Legislature reduce General Fund support by \$293,000 to reflect the fact that the department will be reimbursed for ongoing administrative overhead costs.

**Forest Practice Staffing—Supplemental Report**

*We recommend that during budget hearings the department report on the actions it has taken to meet the increased workload in its Forest Practice program with less staff.*

In 1982–83, the department eliminated eight forest practice inspector positions and \$384,000 in response to a budget reduction. The department indicated at the time that the workload would be shifted to properly trained fire control personnel, and therefore the number and quality of inspections would not be reduced.

In hearings on the 1985 Budget Bill, the Legislature expressed concern that the department had not shifted the workload, and that as a result the work was not being done.

Because of these concerns, the Legislature in the *Supplemental Report of the 1985–86 Budget Act* directed the CDF to report by December 1, 1985 to the Legislature on the workload handled by Forest Practice staff during each of the four previous fiscal years. Specifically, the report was to show (1) the total number of inspections performed, (2) the average number of inspections conducted by each inspector, (3) the amount of acreage covered by existing timber harvest plans, and (4) the workload required on account of public hearings.

Our analysis of the data submitted by the department indicates that the number of staff (in personnel-years) devoted to Forest Practice work declined between 1981 and 1984, while the workload increased slightly during this period. More specifically, the Forest Practice staff declined by 11 percent from 1981 to 1984. During this same time period, the number of timber harvest plans submitted to the department for review declined by 7 percent. Other workload indicators, however, show increases. For instance, the number of public hearings increase from 0 in 1981 to 50 in 1984. The department indicates that each hearing requires an average of four to five hours of staff time, and some hearings can require up to 50 hours of staff time. Similarly, the number of exemption requests and notifications regarding emergency timber operations also increased between 1981 and 1984—by 18 percent and 8 percent, respectively.

The data also indicates that while the average number of inspections per inspector has increased, the *total* number of inspections has declined slightly due to the reduced number of staff.

We recommend that the department explain, at the time of budget hearings, the actions it has taken to meet the increased workload in its Forest Practice program with less staff.

---

DEPARTMENT OF FORESTRY—CAPITAL OUTLAY

Item 3540-301 from the General  
Fund, Special Account for  
Capital Outlay

Budget p. R 63

---

Requested 1986-87 .....	\$2,369,000
Recommended approval .....	860,000
Recommended reduction .....	178,000
Recommendation pending .....	1,331,000

---

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

Analysis  
page

- |   |     |
|---|-----|
| 1. Redding Air Attack Base, Reconstruction. Withhold recommendation on Item 3540-301-036(1), construction to reconstruct the existing Redding Air Attack Base, pending receipt of additional information.                               | 437 |
| 2. <i>Minor Projects. Reduce Item 3540-301-036(2) by \$362,000.</i> Recommend reduction for (a) eleven projects which are not justified and (b) one project which should be re-scheduled as a major capital outlay project.             | 438 |
| 3. <i>Emergency Command Center—Nevada-Yuba-Placer. Add Item 3540-301-036(3) in the amount of \$184,000.</i> Recommend that budget language under this item be modified to schedule this project under the major capital outlay program. | 438 |
| 4. Withhold recommendation on one minor project, \$85,000 for an antenna and radio vault replacement at the Mt. Pierce Repeater Site, pending receipt of additional information.  | 438 |

ANALYSIS AND RECOMMENDATIONS

The budget proposes \$2,369,000 from the General Fund, Special Account for Capital Outlay, for one major capital outlay project and 24 minor projects (\$200,000 or less per project) on behalf of the Department of Forestry.

Major Capital Outlay

*We withhold recommendation on Item 3540-301-036(1), \$1,246,000 to reconstruct the existing Redding Air Attack Base, pending receipt of completed preliminary plans.*

The budget requests \$1,246,000 to reconstruct the existing Redding Air Attack Base in Shasta County. The state and the U.S. Forest Service are sharing the costs for this joint-use facility on a 50-50 basis. The Legislature provided \$51,000 in the 1985 Budget Act for the state's share of preliminary planning and working drawing costs. The *Supplemental Report of the 1985 Budget Act* contains language indicating that the state's share of construction costs will be \$1,228,000.

**DEPARTMENT OF FORESTRY—CAPITAL OUTLAY—Continued****Department Indicates That There Will Be Savings to State**

In November 1985, a staff team from the California Department of Forestry and the U.S. Forest Service met to perform a value analysis of the proposed Redding Air Attack Base. The value analysis team identified approximately \$300,000 in potential savings by reducing the amount of pavement and building size envisioned in the preliminary design. These changes would not sacrifice the functional capability of the project.

We commend the department's initiative to reduce the project cost through value analysis. Such efforts result in savings to the state and a better understanding by the department of the functional requirements of the facility.

We withhold recommendation on the requested amount, pending receipt of completed preliminary plans which should be available before budget hearings.

**Minor Capital Outlay**

*We recommend that the Legislature reduce Item 3540-301-036(2) by \$362,000 to (1) reduce funding for eleven projects and (2) reschedule one project under the major capital outlay program. We withhold recommendation on one project at Mt. Pierce.*

*We further recommend that the Legislature add a new Item 3540-301-036(3) to the Budget Bill, in the amount of \$184,000, for the Nevada-Yuba-Placer Emergency Command Center.*

Table 1  
Department of Forestry  
1986-87 Minor Capital Outlay Program  
Item 3540-301-036(2)  
(dollars in thousands)

<i>Project</i>	<i>Department Request</i>	<i>Analyst's Recommendation</i>
Fire Safety Modifications—Region I .....	\$98	\$91
Fire Safety Modifications—Region II .....	136	125
Fire Safety Modifications—Region IV .....	78	71
Fire Safety Modifications—Region V .....	30	27
Fire Safety Modifications—Region VI .....	81	75
Mt. Pierce Repeater Site .....	85	Pending
Nevada-Yuba-Placer Emergency Command Center .....	184	— <sup>a</sup>
Chico Air Attack Base—Storage Building .....	17	17
Mariposa Ranger Unit—Emergency Command Center .....	30	30
San Benito-Monterey Ranger Unit—Handicap Access .....	17	1
Felton Headquarters/Station—Women's Bathroom .....	32	32
Saratoga Summit Station—Women's Bathroom .....	14	14
Nipomo Station—Women's Bathroom .....	21	21
Ramona Air Attack Base—Paving .....	25	25
San Bernardino Station—Remodel Barracks .....	50	—
Strawberry Peak Repeater Site .....	10	10
Ramona Air Attack Base—Access Road and Parking .....	22	—
Witch Creek Station—Access Road and Parking .....	25	11
Pilot Rock Camp—Tank .....	12	—
West Riverside Station—Pavement Repairs .....	28	28
Pilot Rock Camp—Visitor's Restrooms .....	12	12
Ione Fire Academy—Water System Modifications .....	35	5
Ione Fire Academy—Women's Restroom Expansion .....	40	40
Ione Fire Academy—Messhall/Kitchen Remodel .....	41	41
Totals .....	\$1,123	Pending

<sup>a</sup> Recommend that this project be rescheduled as a major capital outlay project.

The budget requests \$1,123,000 under Item 3540-301-036 (2) for 24 minor capital outlay projects (\$200,000 or less per project) to be undertaken by the Department of Forestry. These projects, and our recommendations on each, are summarized in Table 1.

Our analysis indicates that 11 projects (\$270,000) of the 24 projects are justified, and we recommend that funding for them be approved. Funding for 11 of the remaining projects, however, should be reduced or deleted and one project should be scheduled as a major capital outlay project. We withhold recommendation on the remaining project.

Our specific recommendations are as follows:

- **Delete \$29,000** requested for fire safety modification projects in Region I (\$7,000), Region II (\$11,000), Region IV (\$2,000), Region V (\$3,000), and Region VI (\$6,000) because the department has indicated that less-costly fire alarms are preferable.
- **Delete \$5,000** requested for fire safety modifications (Region IV) at the Pine Grove Youth Conservation Camp barracks. The Department of the Youth Authority is requesting funds in the 1986-87 budget to alter the barracks so that they can accommodate overcrowding. Consequently, the modifications proposed under this item should be carried out by the Youth Authority.
- **Delete \$16,000** of the \$17,000 requested for handicap access and parking lot modifications at the San Benito-Monterey Ranger Unit because the department has not substantiated the need for additional parking.
- **Delete \$50,000** requested for barracks remodeling at the San Bernardino Station because the department has not substantiated either the need for the modifications or the cost of the project.
- **Reduce by \$14,000** the amount budgeted to repave an access road and parking area at the Witch Creek station in San Diego County because the department has identified problems with only 8,000 of the 19,000 square feet to be paved.
- **Delete \$22,000** requested to relocate an access road and construct a new parking lot at the Ramona Air Attack Base in San Diego County because the department has not substantiated the problems with the existing access road or the need for additional parking.
- **Delete \$12,000** requested to replace a 1,000 gallon diesel fuel tank with a 2,000 gallon tank because the department has not provided information to substantiate the need for a larger tank.
- **Reduce by \$30,000** the amount budgeted for water system modifications at the Fire Academy in Ione (\$35,000) because the department does not need to connect the fire hydrant system to a potable water supply. Under Title 17, Section 7604 of the California Administrative Code, a backflow prevention system is required at the supply line if an independent water system is adjacent to the supply line. The Fire Academy currently receives potable water from a private water vendor and has an independent fire-fighting water system supplied by reclaimed waste water from the Preston School of Industry. The department proposes to disconnect the fire-fighting system from the

**DEPARTMENT OF FORESTRY—CAPITAL OUTLAY—Continued**

Preston School of Industry and reconnect to the private water company's system. It is not necessary, however, to connect the fire fighting system to the potable water supply. A review by the Department of Health Services in 1982 indicated that the installation of a backflow preventer (\$5,000) would be sufficient to meet the code violations.

- **Reschedule as a major capital outlay project \$184,000** requested as the state's share of the proposed Nevada-Yuba-Placer Emergency Command Center in Grass Valley because the total estimated project cost (state and federal funds) is \$385,000. Moreover, given the success the department has had with projects designed/constructed in conjunction with the U.S. Forest Service, we recommend that the budget language under provision 1, of this item, be modified to include this project.

We withhold recommendation on \$85,000 requested for an antenna and radio vault replacement at the Mt. Pierce Repeater site until the department has executed a long-term (25 years or more) lease on the privately owned site.

---



---



---

**Resources Agency**  
**STATE LANDS COMMISSION**

Item 3560 from the General  
Fund

Budget p. R 65

Requested 1986-87 .....	\$16,258,000
Estimated 1985-86 .....	17,904,000
Actual 1984-85 .....	13,207,000
Requested decrease \$1,646,000 (-9.2 percent)	
Total recommended reduction .....	1,230,000

**1986-87 FUNDING BY ITEM AND SOURCE**

Item—Description	Fund	Amount
3560-001-001—Support	General	\$15,371,000
Reimbursements	—	887,000
Total		\$16,258,000

**SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS**

Analysis  
page

1. Tidelands Oil Revenues. Recommend the commission provide the Legislature by April 15, 1986, with (a) an updated estimate of tidelands oil revenue for 1985-86 and 1986-87, and (b) the assumptions and methodology behind the estimates. 444
2. Coastal Development Permit Application. Recommend the commission advise the budget subcommittees (1) whether it intends to lease tidelands for oil production without a permit from the Coastal Commission, and (2) the potential for litigation if it does so. 447
3. *Preexploration Studies. Reduce Item 3560-001-001 by* 448

**\$730,000.** Recommend reduction of funds requested for air quality, biological, and geological studies preparatory to exploring for oil and gas on state tide and submerged lands off Pt. Arguello, because (a) the commission does not have any plans to lease the lands at this time and the studies might become outdated by the time a lease is awarded, and (b) the studies would not be needed if the state enters into an equity agreement with the federal government.

4. **Seismic Studies. Reduce Item 3560-001-001 by \$500,000.** 449  
Recommend reduction of funds requested for expanded seismic studies on state tide and submerged lands north of Pt. Arguello, because the commission has not acquired data from more general geological studies, which is needed to determine whether additional studies are required.
5. **Personal Services.** Recommend the Department of Finance report to the budget subcommittees on (1) the salary savings rate that the commission would anticipate in 1986-87 without forced vacancies, and (2) the effect that the budgeted artificial salary savings rate will have on the commission's ability to function effectively. 450

#### 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 state school lands. The commission:

- Leases land under its control for the extraction of oil, gas, geothermal, and mineral resources.
- Exercises economic control over the oil and gas development of the tidelands granted to the City of Long Beach.
- Determines boundaries and ownership of tide and submerged lands.
- Oversees other land management operations, including appraisals, surface leases, and timber operations, and maintains records concerning state lands.
- Administers tidelands trusts granted by the Legislature to local governments.

The commission's headquarters is in Sacramento. Oil, gas, and other mineral operations are directed from an office in Long Beach. The commission has 257 authorized positions in the current year.

#### OVERVIEW OF THE BUDGET REQUEST

The budget proposes expenditures totaling \$16,258,000 for support of the State Lands Commission in 1986-87. This is a decrease of \$1,646,000, or 9.2 percent, from estimated current-year expenditures. Proposed expenditures consist of \$15,371,000 from the General Fund and \$887,000 in reimbursements. The General Fund request is \$1,447,000, or 8.6 percent, less than estimated General Fund expenditures in the current year.

The budget does not include additional funding for Merit Salary Adjustments or inflation adjustments to Operating Expenses and Equipment. The commission estimates that it will have to absorb approximately \$241,000 in such costs.

**STATE LANDS COMMISSION—Continued**

The proposed General Fund appropriation of \$15,371,000 will not have any *net* effect on the General Fund. This is because, under existing law and provisions in the Budget Bill, the entire amount of the appropriation to the commission will be offset by transfers to the General Fund of tidelands oil revenues (\$13,041,000) and state school lands revenue (\$2,330,000). The commission's cost, therefore, actually is borne by the Special Account for Capital Outlay and the State Teachers' Retirement Fund, which otherwise would receive these revenues.

Table 1 summarizes expenditures and sources of funds for the State Lands Commission from 1984-85 through 1986-87.

**Table 1**  
**State Lands Commission**  
**Summary of Expenditures and Funding Sources**  
**1984-85 through 1986-87**  
**(dollars in thousands)**

Program	Personnel-Years			Expenditures			Percent Change from 1985-86
	Actual	Est.	Prop.	Actual	Est.	Prop.	
	1984-85	1985-86	1986-87	1984-85	1985-86	1986-87	
Extractive Development							
State Leases .....	61.8	59.6	56.6	\$3,530	\$6,776	\$5,208	23.1%
Long Beach Operations .....	45.1	43.7	42.7	2,820	2,993	2,959	-1.1
Land Management and Conserva- tion .....	95.3	92.4	92.4	4,433	5,370	5,286	-1.6
Administration .....	45.2	43.7	43.7	2,424	2,765	2,805	1.4
Totals .....	247.4	239.4	235.4	\$13,207	\$17,904	\$16,258	-9.2%
Funding Source							
General Fund .....				\$12,058	\$16,818	\$15,371	-8.6%
Environmental License Plate Fund .....				—	150	—	-100.0
Reimbursements .....				1,149	936	887	-5.2

**Proposed Budget Changes**

Table 2 summarizes the commission's proposed budget changes for 1986-87, by funding source.

**Table 2**  
**State Lands Commission**  
**Proposed Budget Changes**  
**By Funding Source**  
**1986-87**  
**(dollars in thousands)**

	General Fund	Other	Total
1985-86 Expenditures (Revised) .....	\$16,818	\$1,086 <sup>a</sup>	\$17,904
A. Workload and Administrative Adjustments			
1. Deletion of one-time projects .....	-3,607	-506 <sup>b</sup>	-4,113
2. Salary and benefit increase .....	617	16 <sup>c</sup>	633
3. Other Adjustments .....	-2	—	-2



## B. Program Changes

1. Predrilling studies of submerged lands off Pt. Arguello .....	\$730	—	\$730
2. Preleasing studies of submerged lands from Pt. Arguello to Pt. Sal .....	500	—	500
3. Extend seven limited-term positions for Environmental Impact Report preparation .....	—	339 <sup>c</sup>	339
4. Purchase data processing equipment and training....	123	—	123
5. Acquire federal oil exploration data .....	65	—	65
6. Reduction in manager-to-supervisor ratio .....	-172	-48 <sup>c</sup>	-220
7. Other proposals .....	299	—	299
1986-87 Expenditures (Proposed) .....	\$15,371	\$887	\$16,258
Change from 1985-86:			
Amount .....	-\$1,447	-\$199	-\$1,646
Percent .....	-8.6%	-18.3%	-9.2%

<sup>a</sup> Consists of \$150,000 from the Environmental License Plate Fund (ELPF) and \$936,000 from reimbursements.

<sup>b</sup> Reimbursements (\$356,000) and ELPF (\$150,000).

<sup>c</sup> Reimbursements.

**ANALYSIS AND RECOMMENDATIONS**

We recommend approval of the following proposed program changes which are not discussed elsewhere in this analysis:

- Continuation of EIR Positions: The commission proposes to continue seven limited-term positions that review, on a reimbursement basis, Environmental Impact Reports (EIRs) for exploration and development of state lands (\$339,000).
- Management Reductions: The commission proposes to eliminate four currently vacant management positions in order to reduce the manager-to-staff ratio to the 1983-84 level (-\$220,000).
- Equipment: The commission proposes to purchase computer equipment and supporting services for word and data processing (\$123,000).
- Federal Oil and Gas Data: The commission proposes to obtain from the federal government data on oil and gas exploration and development on federal waters adjacent to state tide and submerged lands. Funds will be used to reimburse federal map and data production costs and to interpret the federal data (\$65,000).
- Other Proposals: The commission proposes \$299,000 in various other proposals for development of oil platform safety guidelines (\$70,000), training staff in oil platform failure analysis (\$30,000), purchasing electronic survey equipment (\$84,000), converting maps to a new coordinate system (\$75,000), and posting hazard warnings on potentially unsafe state lands (\$40,000).

**TIDELANDS OIL REVENUES**

The commission generates significant state revenue from the development and extraction of oil, gas, geothermal energy, and other minerals on state lands. Most of this revenue is from oil (and some gas) production on state tide and submerged lands along the coast of southern California.

**Long Beach Oil Production.** The largest portion of the state's oil revenue comes from tidelands granted to the City of Long Beach. The city oversees the day-to-day operations of the consortium of oil companies that produce the oil under the acronym of THUMS. The state receives the net profits from the sale of the oil after operating expenses, taxes, investments, and distributions to the oil companies and the city are deducted. In order to protect the state's substantial financial interest at Long Beach, the

**STATE LANDS COMMISSION—Continued**

commission has the authority to approve development and operating plans and budgets associated with production at Long Beach.

**Santa Barbara Production.** In addition, the state has leased tidelands for oil production at Huntington Beach and along the Ventura and Santa Barbara coast. On these "statewide" leases, the lessees pay a royalty to the state, based on the value of the oil produced.

**1986-87 Tidelands Oil Revenue Estimates.** The budget estimates that the state will receive a total of \$425.4 million in tidelands oil and gas revenue in 1986-87. This amount consists of \$335 million in revenue from Long Beach production and \$90.4 million in revenue from statewide leases.

The \$425.4 million estimate for 1986-87 is \$40 million, or 8.6 percent, below estimated oil and gas revenue in the current year (\$465.4 million). This reduction reflects:

- Reduced oil prices and oil production rates at Long Beach (\$35 million),
- Reduced oil prices and production rates on statewide leases (\$5 million).

We discuss the allocation of tidelands oil revenues in our analysis of Control Section 11.50 of the Budget Bill.

**School Lands Revenues**

The commission estimates that it will receive about \$11.0 million in geothermal revenues and land rentals from "state school lands." These are lands that were granted by the federal government to the state in 1853 to help support public education within the state. Essentially all revenues from school lands, net of the commission's costs to manage the lands, are deposited into the State Teachers' Retirement Fund (STRF). The budget for 1985-86 proposes to deposit \$2,330,000 of this revenue in the General Fund to cover the commission's cost of managing the state school lands. The remaining \$8.6 million will be deposited in the STRF.

**Commission's Revenue Estimate Is \$10 Million Less than the Amount in the Budget**

*We recommend that the State Lands Commission provide the Legislature by April 15 with (1) an updated estimate of tidelands oil revenues for 1985-86 and 1986-87, and (2) the assumptions and methodology behind the estimates.*

The \$425.4 million estimate of tidelands oil and gas revenue included in the budget is not consistent with the commission's most-recent estimate for 1986-87. On December 23, 1985, the staff of the commission reduced its assumption regarding the average price for state oil in 1986-87—from \$21.85 per barrel to \$20.50 per barrel. The commission based this change on recent actions of the Organization of Petroleum Exporting Countries (OPEC) to maintain its share of world oil markets even if that requires price cuts.

As a result of this change in assumptions, the commission's revenue estimate for tidelands oil and gas operations in 1986-87 fell by \$10 million, from \$425.4 million to \$415.4 million. Under Section 11.50, the reduction would come at the expense of the Special Account for Capital Outlay.

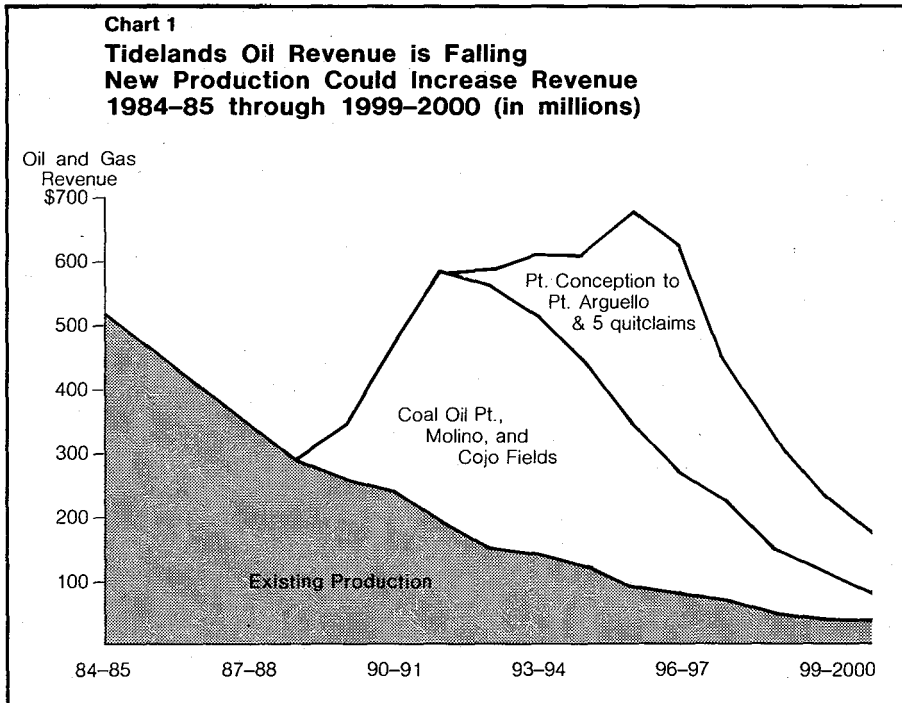
According to the Department of Finance, the administration made a policy decision *not* to include this updated estimate of tidelands oil revenue in the Governor's Budget.

As the direction of the oil market becomes clearer this spring, the commission should revise its revenue estimate so that the Legislature will have the best information available when it must make final adjustments to the budget. Accordingly, we recommend that the commission provide an updated revenue estimate to the Legislature by April 15. It should include in this update a discussion of its assumptions regarding oil prices and its estimating methodology.

### **A Major Reduction in Tidelands Oil Revenue is Likely to Occur in the Future**

The commission's budget includes various proposals relating to preparations for future development of state tide and submerged lands for oil extraction. We will discuss these proposals later in this *Analysis*. In addition to addressing these immediate budget issues, however, the Legislature faces broader policy and fiscal issues relating to leasing and development of state tide and submerged lands in the future.

The commission has not issued any new leases for oil and gas development on state lands since 1968. As a result, oil production peaked in 1969 at approximately 80 million barrels per year and the commission projects a continuing decline in the state's share of oil output. It expects the state's share to fall from 24 million barrels produced in 1984-85 to less than five million barrels in 1995-96. While unforeseen technical or economic changes could slow down (or, perhaps, accelerate) this decline, the direction of production trends will certainly be down in the years ahead as currently developed state oil fields are depleted.



**STATE LANDS COMMISSION—Continued**

The commission's 1986-87 revenue estimate of \$415.4 million is \$50 million, or 11 percent, less than the \$465.4 million estimated for the current year and \$101 million, or 20 percent, less than oil revenues in 1984-85. Without new production—either from new leases or additional development on existing leases—the declining production trend from existing state leases portends major reductions in tidelands oil and gas revenues unless oil prices rise substantially. Using *current* oil prices as a benchmark, together with the commission's production projections, state tidelands revenue could drop to \$160 million in only six years—a decrease of \$305 million, or 66 percent, from current-year revenues of \$465 million. Chart 1 illustrates long-range tidelands oil and gas revenue estimates, based on *current* prices and the commission's production projections.

***New Production Could Increase Future Revenues.*** The commission estimates that major increases in the state's share of oil and gas production on state tidelands (the state's "royalty share" in typical leases) would result from the development of state lands off the coast of Ventura and Santa Barbara Counties. These tidelands have never been developed.

Chart 1 also illustrates the commission's rough projections of the amount of revenue the state might receive from oil and gas royalties if (1) the Coal Oil Pt., Molino, and Cojo fields (which have been leased but not developed) and (2) the lands between Pt. Conception and Pt. Arguello and various quitclaim parcels in Santa Barbara and Ventura Counties, are developed. These estimates are based on current oil and gas prices and the commission's production projections.

***The Coal Oil Pt., Molino, and Cojo Fields.*** The commission estimates that the Coal Oil Pt., Molino and Cojo fields on existing leases offshore central Santa Barbara County could significantly increase state royalty oil as early as 1989-90. The commission estimates that the combination of existing production and potential production from these three fields could reach a peak of roughly 28 million barrels per year by 1991-92.

Applying the current price of oil and gas to the commission's production projections during the peak year of production in 1992-93 yields a revenue estimate of roughly \$410 million for the three fields. This is \$250 million more than the revenue expected from existing production (at current prices) in that year (\$160 million). As the middle line in Chart I shows, total revenue at the estimated peak production level could be roughly \$580 million per year in 1991-92 (again at current oil prices).

The Coal Oil Pt. (ARCO), Molino (Shell), and Cojo (Union) fields currently are under lease. The commission approved ARCO's application for consideration of its plan of development for the Coal Oil Pt. field on December 20, 1985, and has begun to prepare an Environmental Impact Report covering the plan. The commission indicates that development of the ARCO lease, which would account for roughly 60 percent of the revenue from the three fields, could begin as early as 1989. ARCO, however, still must obtain (1) approval of its EIR from the commission, (2) a coastal development permit from the Coastal Commission, and (3) land use permits for onshore facilities and pollution control permits from Santa Barbara County. ARCO is proposing to build three new double platforms just off Coal Oil Pt. near the University of California, Santa Barbara. Debate over the environmental effects of the proposed development could

delay the start-up date. In addition, the approval process could alter the production levels assumed in the discussion above.

Both Shell and Union submitted their application for development to the commission in 1985, but the commission deemed them to be incomplete. Provided that Shell and Union Oil submit completed applications within the next year, production on these leases could begin roughly one year after the ARCO project.

***Unleased Lands Between Pt. Conception and Pt. Arguello and Five Quitclaim Parcels.*** The commission projects that potential production from the approximately 40,000 acres of state tide and submerged lands between Pt. Conception and Pt. Arguello and from five "quitclaim" parcels previously leased near the Santa Barbara-Ventura County line could begin to increase annual oil production on state lands by roughly two million barrels, or 10 percent, as early as 1992-93. The commission projects that peak production from these fields could reach roughly 17 million barrels per year by 1996-97, a 427 percent increase over projected output from state lands developed to date. Adding this production to the levels discussed above brings total production to roughly 90 million barrels per year by 1995-96. The commission stresses that these estimates are speculative, and that actual production levels could be significantly greater or lower than these amounts.

Applying the current price of oil and gas to the commission's production projections for these unleased lands yields an estimated \$350 million in revenues for 1996-97—\$270 million more than the revenues anticipated that year (at current prices) from existing developments (\$80 million). As the uppermost line on Chart I shows, revenue from existing production and the potential new production discussed above could peak at roughly \$670 million in 1995-96.

***Potential Major Production Potential North of Pt. Arguello.*** The commission also believes that major deposits of oil and gas exist in offshore fields between Pt. Arguello and Pt. Sal in northern Santa Barbara County. The commission is just beginning preliminary resource assessments in this area, and is not able to estimate the potential volume of oil and gas that might be produced here.

The development of these state tidelands is a major policy issue. In raising the issue, we do not mean to imply that the Legislature should push forward with the development of these lands. Rather, we raise it here to help the Legislature put the issues raised by the 1986-87 budget in a broader perspective.

#### **Stalemate With the Coastal Commission is Getting Staler**

***We recommend that the State Lands Commission advise the budget subcommittees (1) whether it intends to lease tidelands for oil production without a permit from the Coastal Commission and (2) the potential for litigation if it does so.***

The State Lands Commission (SLC) has approved a bid package to lease 40,000 acres of state tide and submerged lands between Pt. Conception and Pt. Arguello along the Santa Barbara County Coast. The lease has not gone to bid, however, because of a protracted jurisdictional dispute between the SLC and the Coastal Commission. This ongoing interagency dispute continues to prevent meaningful consideration of the possibilities for developing state oil reserves that the State Lands Commission estimates could generate roughly over \$1 billion in tidelands oil revenue.

The dispute between the two commissions is over whether the SLC

**STATE LANDS COMMISSION—Continued**

must obtain a coastal development permit from the Coastal Commission in order to lease state tide and submerged lands for oil exploration and development. The Coastal Commission contends that a lease is a *development* activity, and thus requires a coastal permit. The SLC claims that leasing decisions are *policy* decisions of the type not subject to approval and permitting by the Coastal Commission.

We reviewed the background of this dispute in our *Analysis of the 1985 Budget Bill* (please see page 464). In that *Analysis*, we recommended that the Legislature enact legislation requiring the SLC to obtain a permit prior to leasing in order to resolve the dispute and end the turf battle. We continue to recommend that the Legislature provide for a legislative solution to the dispute, rather than allow for either a continuation of the current stalemate or a judicial solution.

Since last year, an appellate court ruling has lifted an order prohibiting the SLC from leasing without a coastal permit. As matters now stand, the Coastal Commission has denied a coastal development permit to the SLC for the Pt. Conception-Pt. Arguello lease sale. The SLC, on the other hand, has not applied to the Coastal Commission for a permit (although it has made information presentations to the commission), because the SLC has never recognized the necessity of doing so.

Should the SLC conduct a lease sale without a coastal development permit, the two commissions probably would be back in court contesting the jurisdictional issue either directly or through other interested parties.

The dispute between the two commissions has important fiscal and policy implications. Consequently, we recommend that the SLC advise the budget subcommittees (1) whether it will apply to the Coastal Commission for a permit to lease the lands at issue and (2) the potential for litigation if it does so.

**Preexploration Studies Off Pt. Arguello Are Premature**

*We recommend a reduction of \$730,000 to eliminate funds for air quality, biological, and geological studies on state tide and submerged lands off Pt. Arguello preparatory to exploring for oil and gas, because (1) the commission does not have any plans to lease the lands at this time and the studies might become outdated by the time a lease is awarded, and (2) the studies would not be needed if the state enters into an equity agreement with the federal government.*

The budget requests \$730,000 from the General Fund for air-quality, biological, and geological studies off Pt. Arguello to be conducted in 1986-87. These studies are proposed as a basis for preparation of an Environmental Impact Report (EIR) for exploratory drilling on the parcel in question—the northernmost parcel between Pt. Conception and Pt. Arguello, known as Parcel 7. The commission indicates that the EIR and the exploratory drilling would take place *after* the commission leases the parcel. The commission has not made any specific plans at this time, however, to lease Parcel 7 because of its jurisdictional dispute with the Coastal Commission.

The commission argues that it needs to conduct the exploratory EIR now, rather than wait for a lessee to do so after a lease is awarded. The commission claims it needs to expedite the eventual development of Parcel 7, to prevent the federal government from draining state oil and gas through an adjacent federal lease. The commission indicates that the fed-

eral development probably will begin production by the summer of 1989.

Normally, when the commission wishes to develop state tide and submerged lands for oil and gas exploration and production, it leases the lands to an oil company. After conducting a lease sale, the lessee funds the preparation of an EIR, which is supervised by the commission. The commission must approve the EIR before the lessee can begin exploratory drilling on the lands. The lessee must also receive a coastal development permits from the Coastal Commission prior to beginning exploratory drilling and production.

***The Commission Does Not Have a Leasing Plan.*** In spite of its apparent concern about expediting the development of Parcel 7, the commission has not even developed a plan to lease the parcel. In any case, the jurisdictional dispute with the Coastal Commission could delay the award of a lease or development of the lease for many years. Hence, it is possible that the environmental studies proposed in 1986-87 to determine current air quality and biological data could become outdated if Parcel 7 is not leased in the near future. In addition, in the absence of information on the environmental constraints that a drilling permit from the Coastal Commission might place on development of Parcel 7, the proposed studies may not provide the information needed to obtain the permit.

***The State Could Enter into an Equity Agreement with the Federal Government.*** The commission states in its budget request that "the only means of assuring that the State's resources are not drained, or that the reservoir is not irreversibly damaged, is to develop the State parcel concurrently." We believe, however, that the state has another option. It could enter into an equity (or "drainage") agreement with the federal government, under which the state would receive that portion of revenues from the adjacent federal development that corresponds to the value of oil and gas drained from state lands.

These types of agreements are common. For example, the state has an equity agreement with other landowners at Long Beach. Moreover, equity agreements can be entered into at any time, even after production has begun. They also can be retroactive, and provide for periodic retroactive equity adjustments based on new information about the distribution of oil and gas within the field. The amount of information on the field(s) underlying Parcel 7 and the federal lands will increase as federal development proceeds, because the federal government makes all of its oil and gas data available to the commission.

The commission has not provided any evidence that it could not enter into an equity agreement with the federal government as a means to protect the state's oil and gas interests in Parcel 7.

***Conclusion.*** We recommend deletion of the \$730,000 requested for studies preparatory to preparing an EIR for exploratory drilling on Parcel 7 because (1) the commission has not made plans to lease the parcel and the information developed with these funds might become outdated by the time a lease is awarded and (2) the state might be able to protect itself from the loss of revenues due to drainage into an adjacent federal lease by executing an equity agreement with the federal government.

#### **Expanded Studies of Offshore Lands North of Pt. Arguello Are Not Needed Now**

***We recommend a reduction of \$500,000 to eliminate funds for expanded seismic studies on state tide and submerged lands north of Pt. Arguello, because the commission has not acquired the data from more general***

**STATE LANDS COMMISSION—Continued**

*geological and seismic studies, which is needed to determine whether additional studies are required.*

The budget requests \$500,000 from the General Fund for seismic studies of unspecified state tide and submerged lands between Pt. Arguello and Pt. Sal in northern Santa Barbara County. The 1985 Budget Act appropriated \$1,335,000 to the commission to contract for geological, seismic, and biological studies on approximately 70,000 acres of state tide and submerged lands between Pt. Arguello and Pt. Sal. The commission told the Legislature last year that the \$1,335,000 would provide all of the necessary surveys and studies to (1) assist in negotiations with the federal government to obtain the state's maximum share of federal oil and gas revenue and (2) provide a base of geological and environmental data for the area.

*The Commission Cannot Demonstrate that the \$1,335,000 Provided for Surveys and Studies in 1985-86 Are Not Adequate to Protect the State's Interests.* The commission states that it needs to conduct more detailed seismic surveys between Pt. Arguello and Pt. Sal. It proposes to fund seismic surveys that are one hundred times as dense as the surveys to be funded with the \$1,335,000. The commission, however, hasn't been able to identify which lands it intends to scan in such detail because it proposes to base this decision on the results from the current-year studies. Since the current-year studies have not been completed, there is no evidence that the commission needs to acquire more data to accomplish the objectives approved by the Legislature last year.

On this basis we conclude that the additional \$500,000 requested in 1986-87 is not needed now and may never be needed. Accordingly, we recommend a reduction of \$500,000 requested from the General Fund to delete funds for the proposed site-specific seismic studies.

**Personal Services Are Underbudgeted**

*We recommend that the Department of Finance report to the budget subcommittees on (1) the salary savings rate that it would anticipate in 1986-87 without forced vacancies and (2) the effect that the budgeted artificial salary savings rate will have on the commission's ability to function effectively.*

The budget includes \$11,842,000 for the cost of salaries, wages, and staff benefits at the commission in 1986-87. (This amount does not include any funds for the costs of merit salary adjustments, which the commission estimates will be approximately \$115,000.) The \$11,842,000 consists of (1) \$12,704,000 for the costs of salaries, wages, and benefits for all authorized positions in the commission's budget, less (2) \$862,000 for salary savings due to vacancies and staff turnover.

As Chart 2 illustrates, this represents a 6.8 percent salary savings rate for the budget year—an increase of \$435,000 over estimated salary savings in the current year (3.5 percent of total salaries, wages, and benefits). The commission has not explained why it expects its salary savings rate to increase so dramatically in 1986-87.

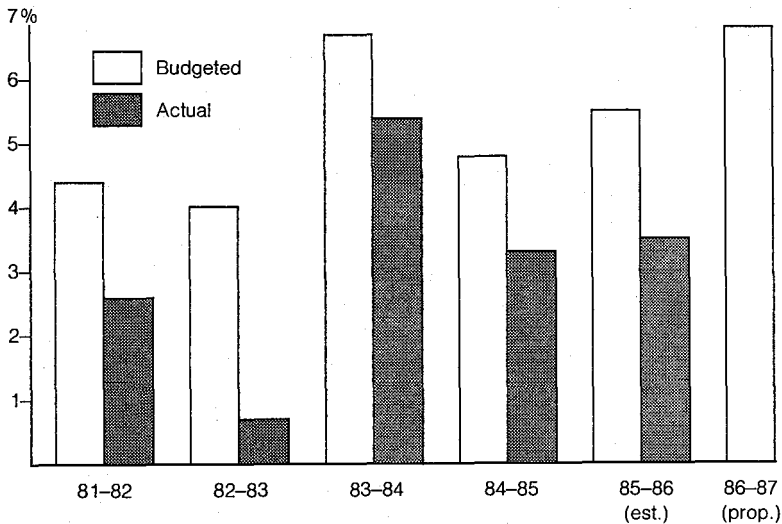
*Actual Salary Savings Typically Are Much Less Than the Budgeted Amount.* As Chart 2 shows, the commission's actual salary savings rate has been much lower than the rate at which salary savings have been budgeted in every year since 1981-82. For example, in 1984-85, the commission's budget included salary savings at the rate of 4.8 percent, but the



commission actually had a salary savings amounting to only 3.3 percent. The commission's budget for the current year includes salary savings of 5.5 percent. This is equivalent to holding 18 of 257 positions vacant for the entire year. Based on six months of data, the commission estimates that its salary savings rate for the current year will be only 3.5 percent.

Chart 2

**Salary Savings Have Been Overbudgeted  
1981-82 through 1986-87**



The commission indicates that it is intentionally keeping positions vacant to meet the salary savings requirement.

**Forced Vacancies Could Hinder Commission.** The commission indicates that it would have to intentionally keep positions vacant again in 1986-87 in order to meet the proposed salary savings rate of 6.8 percent. This could have serious implications for the commission's programs. For example, the Extractive Development Division currently has four vacant engineering positions. These positions evaluate oil production plans at Long Beach. These plans involve multimillion dollar investment and operating decisions that affect the amount of tidelands oil revenue the state receives. It seems apparent that the salary savings rate established for the commission by the Department of Finance is arbitrary and could prevent the commission from achieving objectives set by the Legislature. Accordingly, we recommend that the Department of Finance report to the budget subcommittees on (1) the salary savings rate that the commission expects to have in 1986-87 *without* forced vacancies, and (2) what effect the proposed vacancy rate will have on commission programs.

**STATE LANDS COMMISSION—CAPITAL OUTLAY**

Item 3560-301 from the General  
Fund, Special Account for  
Capital Outlay

Budget p. R 71

---

Requested 1986-87 .....	\$100,000
Recommended deletion .....	100,000

---

**ANALYSIS AND RECOMMENDATIONS**

*We recommend that the Legislature delete Item 3560-301-036(1), \$100,000 to reimburse a private firm for an engineering feasibility study relating to a hazardous waste site in Selby, because the study, which will be completed in February 1986, was privately financed without state authorization and it would be inappropriate for the state to reimburse the private firm for this cost.*

*Further, we recommend that before any future mitigation proposals for this site are submitted to the Legislature (1) the commission submit the proposal to the Department of Health Services (DHS) for review and approval, (2) the DHS submit its findings and recommendations to the Legislature, and (3) the commission obtain a legal opinion regarding the state's responsibilities at the subject toxic waste site.*

The budget requests \$100,000 to cover the state's share of a feasibility study intended to identify alternatives for preventing the discharge of heavy metals associated with a 66-acre site (75 percent state-owned) located on the south side of the Carquinez Straits, about one mile west of Crockett, on the San Pablo Bay.

**Background.** For 84 years, between 1886 and 1970, the American Smelting and Refining Company (ASARCO) operated a smelter from which slag was deposited on the San Pablo Bay tidelands owned by the state. In 1944, the state leased tidelands property to ASARCO with the proviso that the state would take title to the landfill resulting from the slag. The slag heap, therefore, became the property of the state. According to the commission, the slag was disposed of along the shoreline and forms a low bench from 10 to 40 feet thick at the base of steep slopes that rise 380 feet above mean sea level.

In 1980, the commission, in conjunction with the Regional Water Quality Control Board and the Departments of Fish and Game and Health Services, concluded that the slag deposit posed potentially serious problems. Subsequent studies indicated that heavy metals, such as lead and arsenic, have leached into the San Pablo Bay as a result of upland runoff and diurnal tidal action on the site. In addition, elevated levels of zinc have been detected in bottom-dwelling organisms such as clams. The Department of Health Services' test results have concluded that the slag material is a hazardous waste under Section 66084, Title 22 of the California Administrative Code, and the site is ranked 178 on the California State Superfund List of over 200 toxic waste sites designated for cleanup.

The commission indicates that the state holds title to approximately 75 percent, or 50 acres, of the contaminated land. This acreage currently is

leased to Wickland Oil Company and includes approximately *4.5 million cubic yards of the slag material*. The balance of the contaminated property (16 acres) is owned by Wickland Oil.

**Feasibility Study.** Wickland Oil has contracted for an engineering feasibility study which will review various options for eliminating the hazard, including:

- removal of material from the site to a Class 1 dump site, and
- containment of the metal leachates at the site with an impermeable barrier and diversion of the upland runoff waters.

In addition, the study, which was scheduled for completion in February 1986, will provide a description of work and estimated costs for each of the various options. The budget requests \$100,000 to reimburse Wickland Oil for the "state's share" of the cost for this feasibility study.

### **Commission's Request to Reimburse is Inappropriate**

We believe the use of funds to pay for services that were not previously approved by the Legislature would be inappropriate. The state should *not* be expected to provide reimbursement after the fact for privately funded studies. Moreover, we question whether or not payment for work already completed would be legal. Accordingly, we recommend that the Legislature delete the \$100,000 requested for the study.

### **Future Potential Costs**

Based on the information now available, the state may incur costs for the mitigation efforts at this site. The engineering study being financed by Wickland Oil will provide estimates of what various options for dealing with the problem would cost. It would be premature, however, for the state to fund a mitigation effort until (1) the site condition/problems have been characterized adequately, (2) the state's responsibility is established, and (3) the Department of Health Services (DHS) has properly reviewed and approved a site mitigation plan prepared by the commission.

Consequently, we recommend that before requesting mitigation funds, the commission should first provide an adequate characterization of the site conditions and problems, along with a comprehensive site mitigation plan, to the DHS. The DHS is the responsible state agency for reviewing and approving mitigation efforts involving toxic waste sites and should review and approve any proposal before it goes to the Legislature. If the DHS concurs with the commission's site mitigation plans (or an alternative plan), the DHS should indicate (1) its support of the commission's site mitigation plans (or alternative plans), and (2) the appropriate funding sources for mitigation, including state and federal hazardous waste funds.

In addition, we note that this site is ranked 178 on the State Priority Ranking List (SPRL). The DHS should indicate why this project should not await its turn, based on the SPRL priority ranking.

Finally, we suggest that prior to submitting a mitigation plan to the Legislature, the commission should obtain a legal opinion establishing the state's responsibility for contamination at this site.

---

## SEISMIC SAFETY COMMISSION

Item 3580 from the General

Fund

Budget p. R 71

Requested 1986-87 .....	\$1,208,000
Estimated 1985-86 .....	1,224,000
Actual 1984-85 .....	978,000
Requested decrease \$16,000 (-1.3 percent)	
Total recommended reduction .....	10,000

## 1986-87 FUNDING BY ITEM AND SOURCE

Item—Description	Fund	Amount
3580-001-001—SSC, support	General	\$1,033,000
3580-001-890—SSC, support	Federal Trust	(375,000)
Chapter 1558, Statutes of 1984	General	175,000
Total		\$1,208,000

## SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

Analysis  
page

1. *Travel Expenses—Reduce by \$10,000.* Recommend that Item 3580-001-001 be reduced by \$10,000 because it would be inappropriate for the state to reimburse commission volunteer committee members for travel expenses.

## GENERAL PROGRAM STATEMENT

The Seismic Safety Commission was established to improve earthquake safety in California. It does this by providing a consistent policy framework for earthquake-related programs and coordinating the administration of these programs throughout state government. The 17-member commission performs policy studies, reviews programs, and conducts hearings on earthquake safety. The commission advises the Legislature and the Governor on legislative proposals, state budgets, and grant proposals related to seismic safety. In addition, the commission advises federal agencies on the scope, impact and priorities of national earthquake research and hazard reduction programs.

The commission has 11.8 authorized personnel-years in the current year.

## OVERVIEW OF THE BUDGET REQUEST

The budget proposes an expenditure of \$1,208,000 from the General Fund for support of the Seismic Safety Commission activities in 1986-87. This amount is \$16,000, or 1.3 percent, less than estimated current year General Fund expenditures. Of this \$1,208,000, \$658,000 is for basic ongoing expenditures, \$375,000 is for the Bay Area Earthquake Study and \$175,000 is available from Chapter 1558, Statutes of 1984, for education activities.

As Table 1 shows, the decrease in General Fund support proposed for 1986-87 reflects completion of the Coalinga earthquake study and reduced costs for the California Earthquake Hazards Reduction Act of 1986. This \$85,000 decrease more than offsets increased expenditures of \$69,000.

**Table 1**  
**Seismic Safety Commission**  
**1986-87 Budget Changes**  
**(dollars in thousands)**

	<i>General Fund</i>	<i>Federal Funds</i>	<i>Total</i>
1985-86 Expenditures (Est.) .....	\$1,224	\$500	\$1,724
Proposed Changes:			
1. Workload and Administrative Adjustments.....	(69)	—	(69)
a. Stenographer and equipment .....	27	—	27
b. Temporary help/overtime .....	4	—	4
c. Committee travel .....	10	—	10
d. Delete salary savings .....	5	—	5
e. Merit salary and adjustments .....	23	—	23
2. Significant Program Changes			
a. California Earthquake Hazard Reduction Act (Ch 1491/ 85) .....	-42	—	-42
b. Coalginga Study (Ch 1191/83) .....	-43	—	-43
c. Workshop curricular .....	—	-125	-125
	\$1,208	\$375	\$1,583
Change From 1985-86			
Amount.....	\$16	\$125	\$141
Percent.....	-1.3%	-25%	8.2%

## ANALYSIS AND RECOMMENDATIONS

We recommend approval of the following budget changes not discussed elsewhere in this analysis:

- \$108,000 for continuation of the California Earthquake Hazards Reduction Act of 1986, which will enable the commission to hire one analyst and contract for consultants' help as needed. The analyst will prepare the second five-year earthquake hazard reduction program.
- Redirection of funds from consultant services in order to establish one research specialist position for the Bay Area Earthquake Preparedness Project. This will allow the commission to establish two additional earthquake planning "partnerships" with local governments.
- \$27,000 for a stenographer and equipment to reduce the extensive overtime worked by both professional and support staff in order to perform clerical duties.
- Elimination of the salary savings requirement (\$5,000), due to the commission's low rate of staff turnover.
- \$4,000 for overtime/temporary clerical help.

### No Authorization to Pay Commission Committee Members Travel Expenses

*We recommend that the Legislature delete \$10,000 from Item 3580-001-001 in order to eliminate funds for commission committee volunteer members' travel expenses, because it would not be appropriate for the state to provide these reimbursements.*

The commission requests \$10,000 to reimburse commission advisory committee *volunteer* members for their travel expenses. The commission has 16 advisory committees, comprised substantially of nonappointed volunteers.

We do not believe it would be appropriate for the state to begin paying these costs for *volunteers*. Moreover, the code establishing the Seismic Safety Commission indicates that the commission has the authority to reimburse travel expenses of the *appointed* commission members, but does not extend this to nonappointed commission committee volunteer

SEISMIC SAFETY COMMISSION—Continued

members. Thus, it is not clear that such reimbursements are allowed. Consequently, we recommend that the Legislature delete the \$10,000 requested for this purpose.

Resources Agency  
DEPARTMENT OF FISH AND GAME

Item 3600 from the General  
Fund and various special  
funds

Budget p. R 73

Requested 1986-87 .....	\$88,109,000
Estimated 1985-86.....	89,494,000
Actual 1984-85 .....	72,258,000
Requested decrease \$1,385,000 (-1.6 percent)	
Total recommended reduction .....	635,000
Recommendation pending .....	17,953,000

1986-87 FUNDING BY ITEM AND SOURCE

Item—Description	Fund	Amount
3600-001-001—Support—Nongame species and environmental protection programs, maintenance and operation of ecological reserves and wildlife areas	General	\$8,861,000
3600-001-140—Support—Nongame species and environmental protection programs, maintenance and operation of ecological reserves and wildlife areas	California Environmental License Plate	10,322,000
3600-001-200—Support	Fish and Game Preservation	60,546,000
3600-001-890—Support	Federal Trust	(12,447,000)
3600-001-940—Salmon restoration projects	Renewable Resources Investment	867,000
Reimbursements	—	7,513,000
Total		\$88,109,000

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

Analysis  
page

1. Fish and Game Preservation Fund Deficit. Recommend that during budget hearings, the Department of Finance and the Department of Fish and Game report to the fiscal committees on the administration's plans for (1) avoiding a deficit in the nondedicated portion of the Fish and Game Preservation Fund during 1986-87, and (2) providing an adequate reserve for economic uncertainties in future years. 461
2. Cost Allocation Report. Recommend that the department and the Department of Finance report during 465

- budget hearings on why their report on the allocation of program costs by the Department of Fish and Game does not provide the information specified by the *Supplemental Report of the 1985 Budget Act*. Further recommend that the department report during budget hearings on what actions it has taken to address the problems identified in the report.
3. **Loan Payback. Recommend addition of new Item 3600-011-200 in the amount of \$600,000.** Recommend appropriation of \$600,000 to provide for the repayment of a General Fund loan to the Fish and Game Preservation Fund as directed by the 1985 Budget Act. 467
  4. Consulting and Professional Services. Withhold recommendation on \$15,365,000 requested for consulting and professional contracts, pending receipt and analysis of information from the department identifying (1) the contracts to be funded and (2) the costs of each. 468
  5. Deer Management Program. Withhold recommendation on the \$1,439,000 requested from the Fish and Game Preservation Fund for the deer management program, pending receipt of the report on the deer tag program which is required by law. 468
  6. Various Proposals. Withhold recommendation on \$911,000 (\$335,000 from the General Fund; \$322,000 from the Fish and Game Preservation Fund; \$154,000 from the Environmental License Plate Fund; and \$100,000 from the Renewable Resources Investment Program Fund) pending further review of eight different proposals. 469
  7. **Fish Food. Reduce Item 3600-001-200 by \$820,000.** Recommend reduction because the amount requested for fish food is overbudgeted. 469
  8. **One-Time Costs. Reduce Item 3600-001-200 by \$240,000.** Recommend reduction because funds appropriated for one-time laboratory costs in 1985-86 are no longer needed. 470
  9. Physical Maintenance Program. Recommend that the department and the Department of Personnel Administration report at budget hearings on why the state should provide bonuses to personnel simply because they are physically fit to do their job. 470
  10. **Library Funds. Reduce Item 3600-001-200 by \$175,000.** Recommend reduction of funds from the Fish and Game Preservation Fund because the department will be closing its marine resource library, and therefore does not require funds to operate it in 1986-87. 471
  11. Computer Acquisition. Withhold recommendation on \$238,000 requested from the Fish and Game Preservation Fund for computer equipment, pending receipt and review of information on (1) the benefits of the proposed computer acquisition, (2) the costs and benefits of feasible alternatives to the acquisition, and (3) the department's 10-year automation plan. 471
  12. Maintenance of Ecological Reserves. Recommend that the department report at budget hearings on (1) why it has reduced its funding request for the ongoing maintenance 472

**DEPARTMENT OF FISH AND GAME—Continued**

of ecological reserves and wildlife areas, (2) what specific maintenance activities it intends to forego in the budget year, and (3) how it is able to properly manage its various properties, when the number of properties is increasing and its staff is declining.

**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 Fish and Game Commission, which is composed of five members appointed by the Governor, sets policies to guide the department in its activities, and regulates the sport taking of fish and game under a 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 generally has reserved for itself the authority to regulate the commercial taking of fish and game.

The department currently manages 159 ecological reserves, wildlife management areas, habitat conservation areas, and interior and coastal wetlands throughout the state.

The department has 1,491 personnel-years of staff in the current year.

**OVERVIEW OF THE BUDGET REQUEST**

The budget proposes expenditures of \$88,109,000 from state funds and reimbursements for the support of the Department of Fish and Game (DFG) in 1986-87. This is a decrease of \$1,385,000, or 1.6 percent, below estimated comparable current-year expenditures. The budget does not include funding for Merit Salary Adjustments or inflation adjustments to Operating Expenses and Equipment. We estimate that the department will have to absorb approximately \$2 million in such costs.

**Table 1**  
**Department of Fish and Game**  
**Budget Summary**  
**1984-85 through 1986-87**  
**(dollars in thousands)**

Program	Personnel-Years			Expenditures			Percent Change From
	Actual	Est.	Prop.	Actual	Est.	Prop.	
	1984-85	1985-86	1986-87	1984-85	1985-86	1986-87	
Enforcement of laws and regulations .....	377.2	394.9	400.6	\$25,065	\$30,139	\$30,364	0.7%
Wildlife management .....	214.3	211.8	214.8	16,378	25,059	22,689	-9.5
Inland fisheries .....	283.8	270.9	273.9	13,966	14,935	15,532	4.0
Anadromous fisheries .....	192.5	196.8	195.8	15,290	23,092	22,890	-0.9
Marine resources .....	106.7	116.3	114.3	6,245	7,079	8,252	16.6
Environmental services .....	74.2	74.0	77.8	5,546	6,339	6,792	7.1
Administration (distributed to other programs) .....	221.4	226.1	226.0	(11,310)	(13,160)	(15,785)	19.9
Totals .....	1470.1	1490.8	1503.2	\$82,490	\$106,643	\$106,519	-0.1%



Funding Sources				
<i>Fish and Game Preservation Fund (FGPF)</i> .....	\$52,300	\$54,362	\$60,546	11.4%
<i>Fisheries Restoration Account, FGPF</i> .....	—	5,000	5,000	—
<i>Oil Spills Response Program Account, FGPF</i> .....	—	—	963	NMF <sup>a</sup>
<i>General Fund</i> .....	6,751	13,076	8,861	-32.2
<i>Environmental License Plate Fund</i> .....	6,703	11,022	10,322	-6.4
<i>Special Account for Capital Outlay</i> .....	—	2,706	—	NMF <sup>a</sup>
<i>Renewable Resources Investment Program Fund</i> .....	1,240	975	867	-11.1
<i>Federal funds</i> .....	10,232	12,149	12,447	2.5
<i>Reimbursements</i> .....	5,264	7,353	7,513	2.2

<sup>a</sup> not a meaningful figure

The department proposes total expenditures of \$106,519,000 from all sources. This amount is essentially the same (\$124,000, or 0.1 percent, less) as total expenditures in the current year. Total 1986-87 expenditures would be financed by the \$88,109,000 from state funds and reimbursements, \$12,447,000 in federal funds appropriated by the Budget Bill, \$5 million appropriated by Ch 1236/85 from the Fisheries Restoration Account in the Fish and Game Preservation Fund (FGPF), and \$963,000 of the \$2.25 million appropriated by Ch 1429/85 from the Oil Spills Response Program Account in the FGPF.

Table 1 shows the department's expenditures, by program, staffing levels, and funding sources, for the past, current, and budget years.

The Fish and Game Preservation Fund (FGPF) is the primary funding source for the department. The fund receives its revenues mainly from the sale of sportfishing and hunting licenses and permits, commercial fishing license fees, and privilege taxes. Recently, however, the Legislature has established special accounts within the FGPF which are not funded by fees. Specifically, the FGPF includes:

- ***Fisheries Restoration Account.*** This account was established by Ch 1236, Statutes of 1985, for the construction, operation, and administration of projects designed to restore and maintain fishery resources. Chapter 1236 appropriated \$5 million in both 1985-86 and 1986-87 from tidelands oil revenues to the account for expenditure by the department.
- ***Oil Spills Response Program Account.*** Chapter 1390, Statutes of 1985, deposits \$2.5 million in federal funds (to the extent the funds are received by the state pursuant to Section 8(g) of the Outer Continental Shelf Lands Act) into a separate account in the FGPF. Chapter 1429 appropriated \$2,250,000 from the FGPF to the department for expenditure through 1988-89 for various oil spill response activities.
- ***Endangered and Rare Fish, Wildlife and Plant Species Conservation and Enhancement Account.*** Chapter 1058, Statutes of 1983, allows taxpayers to make donations, in excess of their tax liability, for the support of programs for endangered and rare animals and native plant species, and related conservation and enhancement programs. The account receives the revenue from these donations.

#### **Proposed Budget Changes for 1986-87**

Table 2 summarizes the changes proposed in the department's budget for 1986-87, by funding source.

## DEPARTMENT OF FISH AND GAME—Continued

Table 2  
Department of Fish and Game  
Proposed Budget Changes  
1986-87  
(dollars in thousands)

	<i>Fish &amp; Game Preser- vation Fund</i>	<i>General Fund</i>	<i>Environ- mental License Plate Fund</i>	<i>Other State Funds</i>	<i>Federal Funds</i>	<i>Reim- burse- ments</i>	<i>Total</i>
1985-86 Expenditures (revised) ..	\$54,362	\$13,076	\$11,022	\$8,681	\$12,149	\$7,353	\$106,643
Proposed Changes:							
A. Workload and Administrative Adjustments							
1. Adjustment for prior-year loan from General Fund to the FGPF.....	2,000	-2,000	—	—	—	—	—
2. Adjustment for one-time appropriations from the General Fund to the FGPF (Chs 388/85 and 1463/85) ..	1,333	-1,333	—	—	—	—	—
3. Deletion of one-time costs ..	-136	-1,784	-2,498	-2,825	—	-202	-7,445
4. Salary and Benefits Increase .....	2,092	297	225	—	298	186	3,098
5. Pro Rata Adjustment .....	-255	—	173	-89	—	—	-171
6. Continuation of fisheries restoration (Ch 1236/85) ....	—	—	—	(5,000) <sup>a</sup>	—	—	(5,000)
7. Oil spills response program (Ch 1429/85) .....	—	—	—	963 <sup>b</sup>	—	—	963
B. Program Changes							
1. Physical fitness maintenance program .....	279	46	—	—	—	—	325
2. Management of raptors (one time) .....	150	—	—	—	—	—	150
3. Augment deer management program .....	500	—	—	—	—	—	500
4. Wildlife investigations laboratory .....	117	112	—	—	—	—	229
5. Wildlife habitats research .....	—	—	125	—	—	—	125
6. Augment striped bass program .....	252	—	—	—	—	—	252
7. Watershed restoration plan for Mattole River .....	—	—	—	100 <sup>c</sup>	—	—	100
8. Purchase research vessel ..	143	7	500	—	—	—	650
9. Ocean resources enhancement and hatchery program .....	90	—	—	—	—	—	90
10. Water quality studies .....	—	—	—	—	—	—	176
11. Transport water to wildlife areas to address selenium problem .....	—	255	—	—	—	—	255
12. Funding shift for administration .....	-1,267	—	1,267	—	—	—	—
13. Modernize radio system....	172	28	—	—	—	—	200
14. Increase training program ..	242	—	—	—	—	—	242

15. Computer acquisitions .....	205	33	—	—	—	—	238
16. Expand auditing and accounting programs .....	183	8	—	—	—	—	191
17. Reduce on-going maintenance of ecological reserves .....	—	—	-394	—	—	—	-394
18. Reduce habitat improvement on federal lands .....	—	—	-250	—	—	—	-250
19. Improve nesting sites at Buena Vista Lagoon .....	—	—	94	—	—	—	94
20. Miscellaneous Changes.....	84	116	58	—	—	—	258
1986-87 Expenditures (Proposed)	\$60,546	\$8,861	\$10,322	\$6,830	\$12,447	\$7,513	\$106,519
Change from 1985-86:							
Amount .....	6,184	-4,215	-700	-1,851	298	160	-124
Percent .....	11.4%	-32.2%	-6.4%	-21.3%	2.5%	2.2%	-0.1%

<sup>a</sup> Fisheries Restoration Account, Fish and Game Preservation Fund

<sup>b</sup> Oil Spills Response Program Account, Fish and Game Preservation Fund

<sup>c</sup> Renewable Resources Investment Program Fund

## ANALYSIS AND RECOMMENDATIONS

We recommend approval of the following proposed changes shown in Table 2, which are not discussed elsewhere in this analysis:

- An increase of \$229,000 (\$117,000 from the FGPF and \$112,000 from the General Fund) for the operation of the disease investigation section of the Wildlife Investigations Laboratory.
- A one-time increase of \$125,000 from the Environmental License Plate Fund (ELPF) to publish and distribute information on wildlife habitat relationships, as an accessory to a computerized data base.
- An increase of \$252,000 from the Striped Bass Stamp Account in the FGPF to expand current studies on striped bass.
- An increase of \$650,000 (\$500,000 from the ELPF, \$143,000 from the FGPF, and \$7,000 from the General Fund), to purchase and operate an oceanic research vessel.
- An increase of \$90,000 from the Ocean Fishery Research and Hatchery Account in the Fish and Game Preservation Fund to expand current research efforts on ocean fisheries.
- An increase of \$176,000 in reimbursements to fund four personnel to do research on the effects of selenium on wildlife. These positions are located in the State Water Resources Control Board (SWRCB) in the current year. In the budget year, they will be located in the DFG, and the SWRCB will reimburse the DFG for their costs.
- An increase of \$242,000 from the Penalty Assessments Training Account in the Fish and Game Preservation Fund, for increased training of various departmental personnel.
- A reduction of \$250,000 from the Environmental License Plate Fund for reduced habitat improvement activities on federal lands.
- An increase of \$1,267,000 from the Environmental License Plate Fund, and a corresponding reduction in the FGPF, to assess the ELPF for a proportional share of the department's administrative costs.

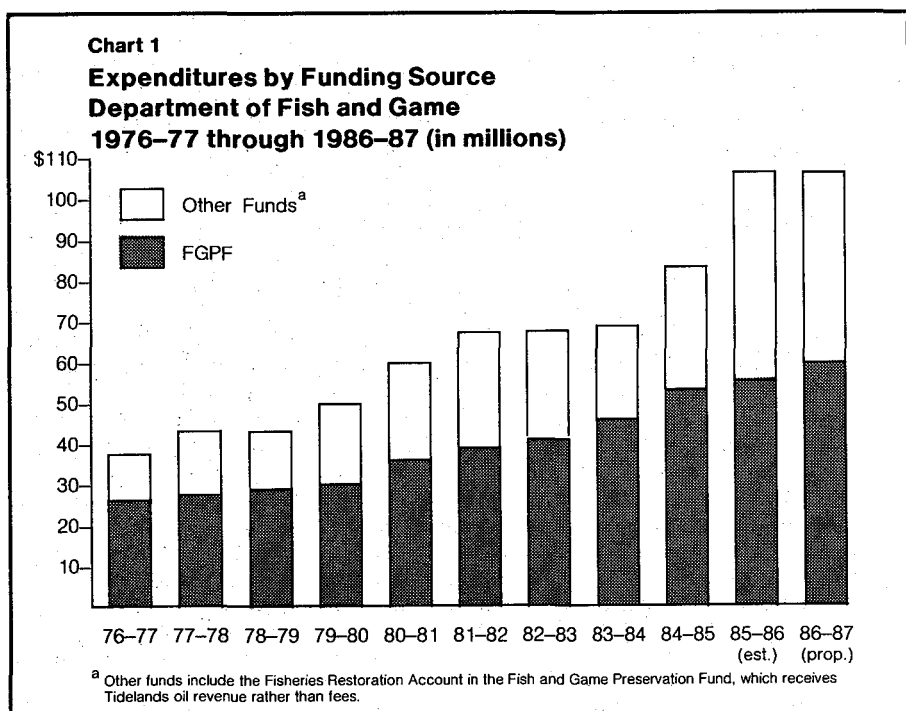
## Fish and Game Preservation Fund Running Out of Money Again

*We recommend that the department and the Department of Finance report during budget hearings on the administration's plans for (1) avoiding a deficit in the nondedicated portion of the Fish and Game Preservation Fund during 1986-87, and (2) providing an adequate reserve for economic uncertainties in future years.*

**DEPARTMENT OF FISH AND GAME—Continued**

The Fish and Game Preservation Fund (FGPF) is the primary funding source for the Department of Fish and Game. The fund receives its revenues mainly from the sale of sport fishing and hunting licenses and permits, commercial fishing license fees, and privilege taxes. Fees from the sale of sport fishing licenses and stamps are the major source of revenue to the FGPF, providing about two-thirds of the fund's total revenues in 1985-86.

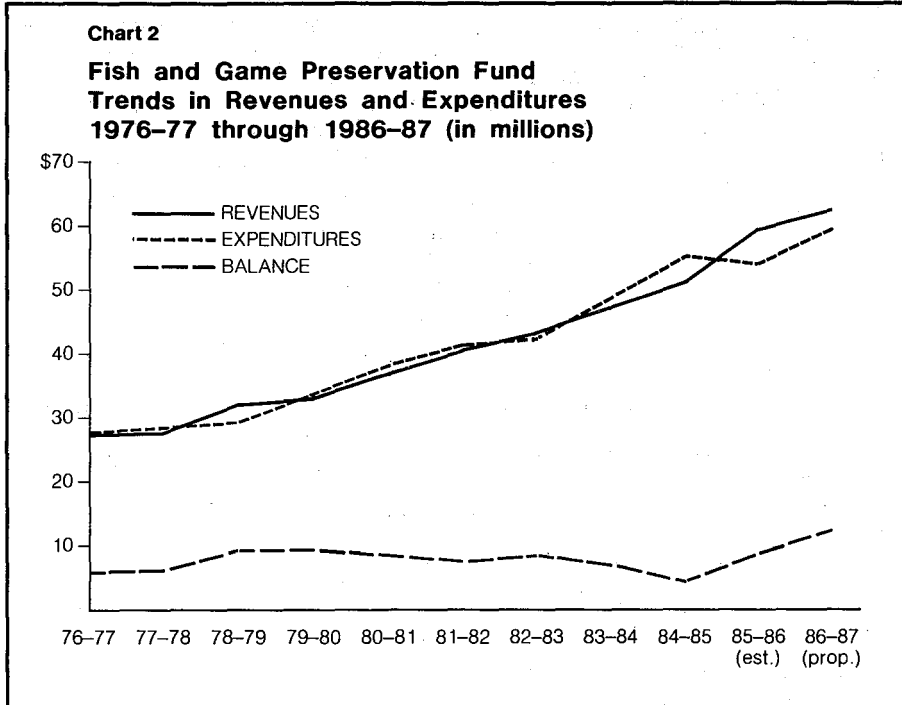
Chart 1 shows the DFG's expenditure history, by funding source, over a 10-year period. Although the FGPF is the department's primary funding source, the department increasingly has been using sources other than the FGPF to finance its activities. During the five-year period 1975-76 to 1979-80, the FGPF provided 67 percent of the department's support funding. In the current year, the FGPF is providing only 51 percent of support funding.



Revenue from certain permit fees, such as the duck stamp and striped bass stamp, may be used only for a limited purpose, as specified in state law. These fees are called "dedicated" fees. Revenue from general fishing and hunting license fees may be used for general activities within the hunting and fishing programs. These fees are referred to as "nondedicated" fees. Over the past several years, the nondedicated portion of the fund has been close to or in a deficit position.

Chart 2 shows the level of FGPF expenditures and revenues, as well as the fund surplus, since 1976-77. While the chart shows a declining surplus

in 1984-85, it does not show the full magnitude of the problem faced by the FGPF because the amounts reflected in the chart include dedicated, as well as nondedicated, funds. The nondedicated portion of the fund actually was in a deficit condition during 1984-85.



**1985 Budget Act Provisions.** In order to address an anticipated deficiency of \$7.1 million in the FGPF during 1985-86, the Legislature, at the request of the department, made several important changes to the department's budget. Specifically, the Legislature:

- Shifted \$2 million in program costs from the FGPF to the General Fund.
- Provided a \$2 million loan from the General Fund to the FGPF.
- Increased the estimate of revenue available in 1985-86 by planning on an additional \$1.5 million in "unexpected savings" during 1984-85.

As a result of these actions, \$5.5 million was made available to offset the potential \$7.1 million deficit.

**Temporary Fee Increases.** In order to narrow further the gap between expenditures and revenues in 1985-86 and provide an adequate source of funding for the future (including repayment of the General Fund loan), the Legislature enacted Ch 1463/85 (AB 617). This measure (1) increased various fishing, hunting, and other license fees on a temporary basis and (2) provided a one-time appropriation of \$1,152,000 from the General Fund. The fishing license fee increase will expire on January 1, 1987, and the hunting license fee increases will lapse on July 1, 1987.

We estimate that the measure will result in additional revenues of \$3.4 million to the FGPF in 1985-86 and \$2.8 million in 1986-87.

**DEPARTMENT OF FISH AND GAME—Continued**

**Prospects for 1985-86 and 1986-87.** The budget estimates that the nondedicated portion of the FGPF will have a reserve of \$588,000 in 1985-86 and \$2,464,000 in 1986-87. Our analysis indicates, however, that the budget (1) does not allocate deficiencies incurred in 1985-86 to their appropriate funding source and (2) ignores certain costs that will be incurred by the department in 1986-87. After adjusting for these factors, we estimate that the nondedicated portion of the FGPF will incur a *deficiency* of \$867,000 in 1985-86 and a deficiency of \$374,000 in 1986-87. Table 3 indicates how we have adjusted the reserve shown in the FGPF fund condition statement that is included in the budget document.

**Table 3**  
**Fish and Game Preservation Fund**  
**Nondedicated Funds**  
**1985-86 and 1986-87 Fund Condition**  
**Legislative Analyst Estimate**  
**(in thousands)**

<b>1985-86</b>	
Beginning Reserve, July 1, 1985, from Governor's Budget.....	-\$4,463
Revenues shown in Governor's Budget.....	53,049
Expenditures shown in Governor's Budget .....	-47,998
Adjustment for FGPF portion of Fair Labor Standards Act cost in 1985-86.....	-1,455
Adjusted ending reserve 1985-86 .....	-\$867
<b>1986-87</b>	
Adjusted Beginning Reserve, July 1, 1986.....	-\$867
Revenues shown in Governor's Budget.....	54,742
Expenditures shown in Governor's Budget .....	-52,866
Adjustments	
Fair Labor Standards Act cost in 1986-87 .....	-783
Loan Repayment to General Fund.....	-600
Adjusted ending reserve 1986-87 .....	-\$374

**1. Current-Year Overtime Deficiency.** The budget reflects a proposed deficiency appropriation of \$1,778,000 from the General Fund in 1985-86 to cover the cost of overtime payment requirements imposed by federal Fair Labor Standards Act (FLSA). Our review indicates, however, that part of these costs should be paid from the FGPF. According to the department, Fish and Game Wardens account for approximately 83 percent of the department's total overtime costs, and clerical staff are responsible for the remaining 17 percent. Since approximately 86 percent of the funding for the warden positions and 61 percent of the funding for clerical staff comes from the FGPF, we estimate that \$1,455,000 of the FLSA overtime costs in 1985-86 should be paid from the FGPF.

**2. Budget-Year Overtime Costs.** The budget does not include any funds to pay the costs associated with the FLSA overtime provisions in 1986-87. We estimate, however, that if the overtime worked by wardens remains at the 1985-86 level, the FGPF will incur additional unbudgeted costs of \$783,000 in 1986-87. (We assume that the department will provide one hour of compensatory time off, and pay in cash for an additional one-half hour, for each hour of overtime worked by the wardens.)

**3. Loan Repayment.** Finally, the budget for 1986-87 does not include any funds for repayment of the General Fund loan received in 1985-86. This would increase expenditures from the FGPF by \$600,000 in 1986-87. (This issue is discussed in more detail later in this analysis.)

Consequently, we believe the FGPF faces a *deficiency of \$867,000* in 1985-86 and a *deficiency of \$374,000* in 1986-87.

### **Prospects Beyond 1986-87**

If current expenditure trends continue, we project that the deficiency in the nondedicated portion of the FGPF will increase in 1987-88 and the years thereafter unless the fee increases in AB 617 are extended (or other revenue is provided). Adding to the problem is the fact that the department will have to manage and operate a significant amount of additional property and facilities as a result of the Wildlife Conservation Board's major land acquisition and development program that is now underway. These acquisitions could further increase costs to the nondedicated portion of the FGPF, resulting in an even greater potential deficiency.

**Fiscal Plan Needed.** The administration has three options for addressing this problem: (1) seek legislation to continue the higher license fees, (2) reduce expenditures financed by the FGPF, or (3) seek to substitute additional money from the General Fund or the ELPF for money now provided from the nondedicated portion of the FGPF. We recommend that the department and the Department of Finance advise the fiscal committees during budget hearings on the administration's plans for (1) avoiding a deficiency in the nondedicated portion of the Fish and Game Preservation Fund in the current year and 1986-87 and (2) providing an adequate reserve for economic uncertainty in future years.

### **Cost Allocation Report Does Not Comply with Legislative Directive**

*We recommend that the department and the Department of Finance report during budget hearings on why their report on the allocation of program costs by the Department of Fish and Game does not provide the information specified by the Supplemental Report of the 1985 Budget Act. We further recommend that the department report during budget hearings on what actions it has taken to address the problems identified in the report.*

During budget hearings last year, the Legislature expressed concern that the DFG's fiscal problems may be caused, in part, by the FGPF paying for activities that more-appropriately should be paid for from other sources. In response, the Legislature adopted language in the *Supplemental Report of the 1985 Budget Act*, directing the Departments of Finance and Fish and Game to report on the allocation of costs within the DFG. Specifically, the report was to analyze:

- The current costs and funding for each program element within the DFG.
- The reasons for the current funding arrangements.
- Any changes in funding requirements of existing law.
- The effect of any funding changes on the condition of each affected special fund.

The report, which was submitted in January 1986, examines the actual expenditures of the department, by program, only for 1983-84. The report indicates that DFG's funding policy is to distinguish between *game-related* activities, which are financed from the FGPF, *nongame* activities, which are financed from sources other than the FGPF, and *general* activities, which are activities that either are not specifically targeted at either game or nongame species or benefit both. General activities are usually funded from the FGPF and other funds in proportion to the relative

**DEPARTMENT OF FISH AND GAME—Continued**

distribution of FGPF and other funds for the game and nongame elements of the particular program.

The report notes, however, that *in practice* poor financial controls within DFG have resulted in variances from this policy. The report concludes, nevertheless, that programs are being funded from appropriate sources, and that no changes in the current funding arrangement are required.

**Report Has Deficiencies.** Our analysis has identified two major deficiencies with the departments' report. First, the report does not comply with the Legislature's directive. The departments were directed to examine the current costs and funding arrangement for each *program element* within DFG. The report, however, examined the costs and funding arrangement for the seven *programs* within the DFG.

Within the DFG, each program is broken into three to five program elements. For instance, within the program called "Enforcement of Laws and Regulations" (which the report calls "Wildlife Protection"), there are five program elements, including (1) protection and use regulation of game fish and wildlife, (2) licensing, (3) hunter safety, (4) nongame fish, wildlife and plant protection, and (5) general enforcement activities. Each of the program elements also has its own pattern of funding.

The Legislature directed the departments to focus on program elements because it wanted an *in-depth* review of the cost and funding of DFG activities. The report, however, provides only a cursory examination of the total *program*, rather than an in depth analysis of each program element.

The second problem with the report is that its comments are general and qualitative; not quantitative. For instance, the report states that "the FGPF uses almost one-third of its monies for Wildlife Protection and since the arrest records show a major amount of warden attention to fishers and hunters without licenses, this seems appropriate." This type of analysis does not provide the Legislature the information it needs to determine if the programs are being funded appropriately.

As a result of these deficiencies, the report is not useful. It fails to answer the question of whether the fiscal problems of the FGPF are a result of the FGPF paying for activities that should be funded from other sources.

**Report Identifies Administrative and Technical Problems at DFG.** Despite its shortcomings, the report identifies several administrative and technical problems at the DFG. The most significant of these is that the DFG does not track expenditures by fund. As a result, in 1983-84 the department failed to realize that it had overspent its General Fund appropriation until after the end of the year. At that point, no corrective action could be taken to reduce expenditures.

In order to balance its books, the department charged the excess General Fund expenditures to the Environmental License Plate Fund (ELPF), and after the ELPF appropriation was exhausted, it charged the remainder to the FGPF. The department's action, however, is not consistent with Section 711 of the Fish and Game Code, which requires that the costs of nongame fish and wildlife programs be paid from funds other than the FGPF.

Our analysis indicates that the DFG still does not develop monthly expenditure data *by fund*. Consequently, the department could experience the same problems in 1986-87 as it did in 1983-84.

In addition, the report finds that DFG:



- Lacks a well-defined system of priorities or plans for the department as a whole or for specific programs. As a result, ad hoc decisions regarding the direction of programs often are made without the benefit of established departmental goals.
- Lacks uniform, written procedures for many accounting tasks. This may result in staff accounting inconsistencies.
- Has been slow in developing management and fiscal information. The main reason for this is that the department relies too heavily on manual, rather than automated processes.
- Frequently has overcharged the Environmental License Plate Fund and the General Fund, while undercharging the FGPF.

We recommend that the department and the Department of Finance explain why they did not fully comply with language contained in the *Supplemental Report of the 1985 Budget Act* regarding the allocation of costs within the DFG. We further recommend that the Department of Fish and Game report at the time of budget hearings on the actions it has taken to address the problems raised in its Cost Allocation Methodology report.

#### **Loan Payback Should Be Included In Department's Budget**

*We recommend addition of a new item to the Budget Bill appropriating \$600,000 from the Fish and Game Preservation Fund in order to provide for the repayment of the General Fund loan to the Fish and Game Preservation Fund as the 1985 Budget Act requires. (Add Item 3600-011-200 in the amount of \$600,000.)*

In the *Analysis of the 1985 Budget Bill*, we estimated that the non-dedicated portion of the Fish and Game Preservation Fund (FGPF) would incur a deficiency of \$7.1 million in 1985-86 if nothing was done. In order to address the deficiency, the administration proposed various changes in the department's budget, and requested a \$2 million loan from the General Fund to the FGPF. The Legislature approved the administration's proposal.

The Legislature adopted language in the 1985 Budget Act requiring the department to (1) repay the General Fund loan from the Fish and Game Preservation Fund in 48 monthly installments, and (2) conclude repayment of the loan on or before June 30, 1990. The language also specifies that the loan is to be repaid with interest calculated at the rate received by the Pooled Money Investment Account.

In order for the department to comply with this directive, the 1986-87 budget should include approximately \$600,000 from the FGPF. The budget, however, does not request an appropriation from the FGPF for repayment of the loan. Therefore, we recommend that the Legislature add a new item to the Budget Bill to appropriate \$600,000 from the FGPF for transfer to the General Fund to provide the 1986-87 loan repayment as required by the 1985 Budget Act. Elsewhere in this analysis we recommend reductions totaling \$1,235,000 from the FGPF. This savings would be sufficient to finance the \$600,000 loan repayment and leave a reserve of \$861,000 in the FGPF at the end of 1986-87.

In order to accomplish our recommendation, we recommend that the Legislature add the following item to the Budget Bill:

3600-011-200—For transfer by the State Controller from the Fish and Game Preservation Fund (200) to the General Fund for partial repayment of the General Fund loan to the Fish and Game Preservation Fund provided in the 1985 Budget Act ..... (600,000)

**DEPARTMENT OF FISH AND GAME—Continued****Consulting and Professional Services**

*We withhold recommendation on \$15,365,000 requested from various funds for consulting and professional services contracts, pending receipt and analysis of information from the department identifying (1) the contracts to be funded and (2) the cost of each.*

The budget proposes total expenditures of \$16,528,000 for professional and consulting contracts. Of this amount, the department proposes to spend \$5,233,000 on contracts with other state departments, and \$11,295,000 on contracts with entities outside state government.

The department has provided information identifying how only \$1,163,000 of this amount will be spent. If the department needs funds in the budget year for consulting and professional services, it should identify the services required and the estimated costs of each. Without this information, the Legislature has no basis to evaluate the department's request.

Accordingly, we withhold recommendation on \$15,365,000 requested for contracts, pending receipt of information on (1) the specific contracts or services to be funded, and (2) the cost and funding source for each contract.

**Deer Management Report Overdue**

*We withhold recommendation on \$1,439,000 requested from the Fish and Game Preservation Fund for the deer management program, pending receipt of the report on the deer tag program which is required by law.*

The budget requests \$1,439,000 in 1986-87 from the Augmented Deer Tags Dedicated Account in the Fish and Game Preservation Fund for support of the department's deer management program. This is \$531,000, or 58 percent, greater than estimated current-year expenditures for this purpose.

The Fish and Game Code authorizes the issuance of license tags for the taking of deer. Chapter 1411, Statutes of 1983 (AB 3735), increased the price of deer tags in both 1985 and 1986 and required that the additional revenue be spent to implement deer herd management plans. The deer herd management plans include programs to (1) maintain and increase the quality of deer habitat, (2) reduce deer mortality, (3) decrease the illegal taking of deer, and (4) provide a diversified recreational use of deer.

Chapter 1411 also requires the department to submit an annual report on the deer tag program to the Legislature. The report is to include information on:

- Revenue from the sale of deer tags.
- Expenditures of deer tag funds and the benefits of the expenditures.
- The deer management program and budget for the current and succeeding fiscal years.

The first annual report was due to the Legislature by January 1, 1986. At the time this analysis was prepared, the department had not submitted the required report. Consequently, the information needed by the Legislature to evaluate the deer management program is not available.

The department indicates that the report probably will be submitted prior to budget hearings. Accordingly, we withhold recommendation on \$1,439,000 requested from the Fish and Game Preservation Fund for the deer management program, pending receipt and review of the report on the deer tag program required by Chapter 1411.

**Too Little, Too Late**

*We withhold recommendation on \$911,000 requested for eight different projects, pending further review of the department's proposals. (Withhold recommendation on \$335,000 in Item 3600-001-001, \$154,000 in Item 3600-001-140, \$322,000 in Item 3600-001-200, and \$100,000 in Item 3600-001-940.)*

The budget includes the following requests for 1986-87:

1. \$255,000 from the General Fund to transport water to address selenium problems in Merced County.
2. \$200,000 (\$172,000 from the FGPF and \$28,000 from the General Fund) to modernize the department's radio system.
3. \$150,000 from the FGPF for the management of endangered raptors (birds of prey).
4. \$100,000 from the Renewable Resources Investment Program Fund to support the Mattole Watershed Salmon Support Group's efforts to rehabilitate the Mattole River watershed.
5. \$94,000 from the Environmental License Plate Fund (ELPF) to improve nesting sites for least terns on Buena Vista Lagoon.
6. \$52,000 from the General Fund to support a position at the Condor Research Center.
7. \$50,000 from the ELPF to develop and implement management plans for mountain lions.
8. \$10,000 from the ELPF to aid the Whittier Narrows Wildlife Sanctuary.

Whenever the budget proposes a significant change in a department's budget, the department is required to develop a detailed justification for its request. Generally, the Department of Finance provides this information for our review shortly after the decision to request the funds is made. In the case of the eight proposals listed above, however, we did not receive information in a sufficiently timely manner to allow for a meaningful review of the proposals prior to when this analysis was prepared. We received supporting information for some of these proposals more than two weeks *after* the Governor's Budget was published.

Consequently, we must withhold recommendation on the \$911,000 requested for the eight proposals listed above, pending review of the proposals.

**Fish Food Budget Overfed**

*We recommend that the Legislature reduce by \$820,000 the amount budgeted from the Fish and Game Preservation Fund for fish food because the amount is overbudgeted. (Reduce Item 3600-001-200 by \$820,000).*

The budget requests \$3,390,000 from the Fish and Game Preservation Fund for the purchase of fish food. The department uses the food in its hatcheries to feed various types of fish prior to releasing them into lakes and streams. Our analysis indicates that the amount requested for fish food in 1986-87 exceeds the amount the department will need.

Table 4 shows budgeted and actual expenditures for fish food from 1981-82 to 1984-85. In each of these years, the department overbudgeted for fish food by at least \$863,000.

**DEPARTMENT OF FISH AND GAME—Continued**

**Table 4**  
**Department of Fish and Game**  
**Fish Food Expenditures**  
**(in thousands)**

	1981-82	1982-83	1983-84	1984-85
Budgeted amount .....	\$3,060	\$3,214	\$3,172	\$3,268
Actual expenditures .....	2,134	2,131	2,309	2,329
Excess .....	\$926	\$1,083	\$863	\$939

Based on historical usage and the inflation-adjusted price of fish food, we estimate that the department's fish food costs in 1986-87 will be \$2,570,000. This is \$820,000 less than the amount budgeted. Accordingly, we recommend that the Legislature delete this amount from the Fish and Game Preservation Fund (Item 3600-001-200).

**Funding for One-Time Cost Should Be Eliminated**

*We recommend that the Legislature delete \$240,000 requested from the Fish and Game Preservation Fund because funds appropriated for one-time laboratory costs in 1985-86 are no longer needed. (Reduce Item 3600-001-200 by \$240,000.)*

The department received \$240,000 in the 1985 Budget Act to purchase equipment for a laboratory facility which is being constructed in the current year. The facility and associated equipment will be used to evaluate the effects of drainage water from rice farms on striped bass and opossum shrimp (the major food supply of larval striped bass). In requesting these funds, the department indicated that the purchase of the equipment would be a one-time expenditure. Consequently, in constructing its budget for 1986-87, the department should have deleted these funds.

Our analysis indicates, however, that the department did not delete the funds from its budget for 1986-87. Instead, the department proposes to retain the money in 1986-87 and redirect it to pay \$231,000 in staff benefits, and \$9,000 for additional equipment. The department indicates that it has had problems funding its workman's compensation claims in past years, and that additional funds are needed for this purpose.

If the department requires additional funding for these purposes, it should request funds from the Legislature for those specific purposes and provide the appropriate justification.

At this point, however, the department has not provided any specific justification to establish the need for these additional funds. Consequently, we recommend that the Legislature delete the funds.

**Help Wanted—Fitness Optional**

*We recommend that the department and the Department of Personnel Administration report during budget hearings on why the state should provide bonuses to personnel simply for being physically fit for their jobs.*

The budget requests \$325,000 in 1986-87 (\$46,000 from the General Fund and \$279,000 from the FGPF) to implement provisions of the department's collective bargaining contract relating to a physical fitness maintenance program.

The agreement between the state and the California Union of Safety Employees (CAUSE) requires the state to establish physical fitness standards for wardens and other uniformed personnel in the department's Wildlife Protection Branch. Specifically, the agreement requires:

- Annual physical testing of uniformed members of the Wildlife Protection Branch. Those who fail the test must be retested on a quarterly basis.
- *A bonus of \$65 per month for various enforcement personnel, including Fish and Game Wardens, Warden Pilots, and Patrol Lieutenants, who pass the physical maintenance test.* Employees hired for these positions prior to July 1, 1984 who fail the test are not penalized in any way. Employees hired after that date who continually fail the test may be subject to disciplinary action.

As a result of the administration's hard bargaining, the state will be paying these employees an additional \$970 per year each (including staff benefits) simply because they are physically able to do what they were hired to do. Those who are not physically able to do what they were hired to do will not get the bonus. They will just get their regular salary.

It would seem to us that physical fitness should be a *requirement*, not an *option*, for wardens. Unfortunately, the Legislature is stuck with this contract provision for 1986-87. Nevertheless, it may want to have the administration explain how the state benefits from this provision. Accordingly, we recommend that the department and the Department of Personnel Administration report at budget hearings on why the state should provide additional pay to persons who are sufficiently physically fit to do their job.

#### **Library Funds Overbudgeted**

*We recommend that the Legislature reduce by \$175,000 the amount budgeted from the Fish and Game Preservation Fund for the operation of the marine resources library in 1986-87, because the department will be closing the library. (Reduce Item 3600-001-200 by \$175,000.)*

The budget includes \$175,000 from the Fish and Game Preservation Fund for the staffing and operation of a marine resources library in Long Beach. The department indicates, however, that it intends to close this library in 1986-87. The department indicates that the library, which is located near California State University, Long Beach, is not needed because the university has a marine resources library that is available for use by department staff. The department intends to donate its library resources to the university.

The library currently has a staff of four. The department proposes to reclassify and redirect the *positions*, but not the funding, to operate a new research vessel for which it is requesting funds in the budget year. (The *funds* needed to pay the costs of the redirected positions are requested elsewhere in the department's budget.)

Our analysis indicates that, although the department plans to close the marine resources library, it has not eliminated the funds for library staff and operating expenses from its budget. Accordingly, we recommend that the Legislature delete \$175,000 requested from the Fish and Game Preservation Fund for the library in 1986-87.

#### **Computer Acquisition Premature**

*We withhold recommendation on \$238,000 requested for acquisition of computer equipment, pending receipt and review of information on (1) benefits of the proposed computer acquisition, (2) the costs and benefits of feasible alternatives to the acquisition, and (3) the department's 10-year automation plan.*

**DEPARTMENT OF FISH AND GAME—Continued**

The department requests \$238,000 to purchase 23 microcomputers and associated equipment in 1986–87. Of this amount, \$205,000 is from the FGPF and \$33,000 is from the General Fund. The microcomputers would be used by personnel both in the field and at Sacramento headquarters.

The department has not provided any detailed information on (1) the benefits of the proposed computer equipment or (2) the costs and benefits of feasible alternatives to the proposed acquisition. Without this information, we have no basis for evaluating the department's proposal.

In addition, the department indicates that a task force was appointed in the current year to prepare a 10-year department automation plan. This plan should provide useful information on the department's overall automation goals, as well as on how this proposal will help the department achieve those goals. The department expects the plan to be completed in February 1986.

Accordingly, we withhold recommendation on \$238,000 requested for computer equipment, pending receipt and review of information on (1) the benefits of the proposal, (2) the costs and benefits of feasible alternatives to the proposal, and (3) the department's 10-year automation plan.

**Reductions in Maintenance of Ecological Reserves and Wildlife Areas**

*We recommend that the department report during budget hearings on (1) why it has reduced its funding request for the ongoing maintenance of ecological reserves and wildlife areas, (2) what specific maintenance activities it intends to forego in the budget year, and (3) how it is able to properly manage its various properties when the number of properties is increasing and its staff is decreasing.*

The budget requests \$906,000 from the Environmental License Plate Fund for the ongoing maintenance of ecological reserves and wildlife areas. This amount is approximately \$394,000, or 30 percent, below estimated expenditures in the current year.

*Funds for Operation and Maintenance of Ecological Reserves Increased in 1985–86.* In 1985–86 the department requested, and the Legislature approved, an augmentation of \$1.5 million (\$1.3 million from the ELPF and \$200,000 from the General Fund) and 5 personnel-years for the operation of ecological reserves and wildlife areas. The department justified the need for these funds and positions to the Legislature, stating that “without this ongoing long-term commitment to the maintenance of acquired preserves, the funds spent for enhancements would soon be of little value as the ravages of vandalism and time take their toll.”

For 1986–87, the department has provided us with a list of maintenance projects that add up to \$2,268,000. Consequently, it is unclear why the department is requesting only \$906,000 for maintenance in the budget year.

*Workload Increasing While Staff Declines.* The Department of Fish and Game is responsible for the maintenance and operation of various ecological reserves, wildlife management areas, interior wetlands, coastal wetlands, and other types of property throughout the state. Over the past 10 years, the lands for which the department is responsible have grown dramatically in terms of the number of properties and total acreage. In contrast, the number of departmental staff directly responsible for the operation of these properties has declined.

Specifically, the number of properties managed by the department has

more than doubled, from 71 in 1976 to 159 in 1986. Similarly, the total acreage within these properties has increased by 84 percent, from approximately 160,000 acres in 1976 to 295,000 acres in 1986. During this same period, however, the department's staff directly responsible for the operation of these properties decreased by 13 percent, from 66 positions to 58.3 positions.

The department's property management responsibilities will continue to increase in the future. The Wildlife Conservation Board (WCB) is proposing to spend \$21 million in 1986-87 to acquire and develop additional lands throughout the state. The Department of Fish and Game will operate and maintain many of the properties acquired by the WCB.

In light of the large *increase* in the property for which the department is responsible, the proposed *reduction* in funding for ongoing maintenance of ecological reserves and wildlife areas poses a paradox. It is also unclear how the department can, with declining staff properly manage the increasing amount of state lands for which it is responsible .

Consequently, we recommend that the department report at budget hearings on (1) why it has reduced its request for the ongoing maintenance of ecological reserves and wildlife areas, (2) what specific maintenance activities it intends to forego in the budget year, and (3) how it is able to manage properly the increasing amount of state lands for which it is responsible, when the number of maintenance staff has declined.

**DEPARTMENT OF FISH AND GAME—CAPITAL OUTLAY**

Item 3600-301 from the General Fund, Special Account for Capital Outlay		Budget p. R 92
<hr/>		
Requested 1986-87 .....		\$168,000
Recommended approval .....		30,000
Recommended reduction .....		138,000
<hr/>		

**ANALYSIS AND RECOMMENDATIONS**

**Minor Projects**

*We recommend that the Legislature delete \$138,000 from Item 3600-301-036(1), for four projects because the projects are not justified.*

The department requests \$168,000 from the General Fund, Special Account for Capital Outlay, for five minor capital outlay projects (projects costing \$200,000 or less). The budget includes funds to:

- remodel office space on the 12th floor of the Resources Building to provide an additional 6,817 square feet of office area for the department (\$60,000);
- install a domestic water well to serve the residences at the Darrah Springs Hatchery in Shasta County (\$30,000);
- install fish screens at Lower Mill Creek in Tehama County (\$10,500) and Hayfork Creek in Trinity County (\$7,500); and
- purchase two modular homes at the Fish Springs Hatchery in Inyo County (\$60,000).

**DEPARTMENT OF FISH AND GAME—CAPITAL OUTLAY—Continued**

The project to install the domestic water well at Darrah Springs Hatchery is needed to replace the existing polluted water system. The request is justified and should proceed. Consequently, we recommend approval of funds for this project.

**Remodel Resources Building.** The 1985 Budget Act provided \$51,000 to remodel space vacated by the Public Employees' Retirement System (PERS) staff on the 12th floor of the Resources Building, Sacramento, for the Department of Fish and Game. The department indicates that the funds requested in the Budget Bill are "*a contingency*" in the event the PERS does not move in time for alterations to begin in the current year.

Providing *additional* funds on a contingency basis is neither necessary nor appropriate. If the department cannot encumber the current-year funds prior to June 30, 1986, the department should request reappropriation of the 1985 amount. Thus, we recommend that the Legislature delete the \$60,000 requested under this item.

**Fish Screen Projects.** The department requests \$18,000 to install fish screens at the Lower Mill Creek in Tehama County (\$10,500) and Hayfork Creek in Trinity County (\$7,500). The proposed fish screens are justified and should proceed. The projects, however, involve maintenance of fishery resources that have been damaged by water diversions, and are therefore eligible for funding under the Fisheries Restoration Act of 1985 (Chapter 1236, Statutes of 1985). Consequently, we recommend that the Legislature delete the funding requested for the fish screens. The department can proceed with these projects under the provisions of the Fisheries Restoration Act of 1985.

**Modular Homes, Fish Springs Hatchery.** The budget requests \$60,000 to purchase two modular homes at the Fish Springs Hatchery in Inyo County. The department, however, has not provided any information which indicates that there is a need for additional housing at the hatchery. Consequently, we recommend that the Legislature delete the \$60,000 requested for this purpose.

---



**Resources Agency**  
**WILDLIFE CONSERVATION BOARD**

Item 3640 from the Wildlife  
 Restoration Fund

Budget p. R 94

Requested 1986-87 .....	\$568,000
Estimated 1985-86.....	519,000
Actual 1984-85 .....	486,000
Requested increase \$49,000 (+9.4 percent)	
Total recommended reduction .....	None

**GENERAL PROGRAM STATEMENT**

The Wildlife Conservation Board (WCB) was created in 1947. It acquires property to protect and preserve wildlife and to provide fishing, hunting, and recreational access facilities.

The board is composed of the Director of Fish and Game, the Chairman of the Fish and Game Commission, and the Director of Finance. In addition, three members of the Senate and three members of the Assembly serve in an advisory capacity to the board.

The board's support activities are financed through appropriations from the Wildlife Restoration Fund, which annually receives \$750,000 in horseracing license revenues. The Wildlife Restoration Fund also receives reimbursements for those projects that are eligible for grants from the federal Land and Water Conservation Fund.

The board has nine staff positions authorized in the current year.

**ANALYSIS AND RECOMMENDATIONS**

*We recommend approval.*

The budget proposes an appropriation of \$568,000 from the Wildlife Restoration Fund to support the Wildlife Conservation Board during 1986-87. This is \$49,000, or 9.4 percent, more than estimated current-year expenditures.

The increase in expenditures is due to (1) a net increase of \$20,000 in salaries and benefits, and (2) an increase of \$29,000 in pro rata charges billed to the Wildlife Restoration Fund for central administrative services and indirect overhead costs. The budget does not propose any change in staff or operations during 1986-87.

Our analysis indicates that the proposed budget is reasonable, and we recommend approval.

WILDLIFE CONSERVATION BOARD—CAPITAL OUTLAY

Item 3640-301 from the Fish and  
Wildlife Habitat Enhance-  
ment (Bond) Fund and vari-  
ous funds

Budget p. R 96

Requested 1986-87 .....	\$14,525,000
Recommended approval .....	450,000
Recommended reduction .....	800,000
No recommendation .....	13,275,000

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS	Analysis page
1. Land Acquisition and Development. We make no recommendation on a total of \$13,275,000 requested in Items 3640-301-447 (2), (3), and (4), and 3640-301-748 for various land acquisition and development projects, because we have no basis on which to advise the Legislature whether these expenditures are warranted.	478
2. Wetlands Acquisition and Development. Reduce Item 3640-301-140 by \$500,000. Recommend deletion of funds from the Environmental License Plate Fund for unspecified wetlands acquisitions and development projects, because these projects can be financed from other, more appropriate funding sources.	478
3. Minor Projects. Reduce Item 3640-301-447 (1) by \$300,000. Recommend deletion of \$300,000 requested for projects which have been funded in the current year. Further recommend adoption of supplemental report language describing the scope and amount of funds budgeted for each of the remaining five proposed projects.	479

OVERVIEW OF THE BUDGET REQUEST

The budget requests \$14,525,000 for various capital outlay projects to be undertaken by the Wildlife Conservation Board (WCB). These funds would be provided by three separate appropriations and would be supplemented by reimbursements from other state agencies, as shown in Table 1.

Table 1  
Wildlife Conservation Board  
Proposed Appropriations for Capital Outlay  
1986-87  
(dollars in thousands)

Item Number	Fund	Amount
3640-301-140	California Environmental License Plate Fund .....	\$500
3640-301-447	Wildlife Restoration Fund .....	1,775
3640-301-748	Fish and Wildlife Enhancement (Bond) Fund .....	12,100
	Reimbursements .....	150
	Total .....	\$14,525

The proposed use of these funds as reflected in the budget, is as follows:

- Unspecified land acquisition projects to provide ecological reserves (\$500,000 from the Environmental License Plate Fund).
- Nine land acquisition projects (\$1,150,000), seven minor capital outlay projects (\$750,000) and project planning (\$25,000)—financed from the Wildlife Restoration Fund. The board anticipates that it also will receive \$150,000 in reimbursements from other state departments for these projects. (The Budget Bill does not schedule these projects and the board indicates that the project list is subject to change.)
- Various unspecified acquisition, enhancement and development projects benefiting marshlands and aquatic habitat (\$11 million); rare, endangered, and fully protected species (\$1 million); plus project planning (\$100,000)—financed from the Fish and Wildlife Habitat Enhancement (Bond) Fund.

The budget indicates that the board will have an additional \$7.5 million available for expenditure from current- and prior-year appropriations. Consequently, the budget proposes total expenditures of \$22,025,000 for WCB capital outlay projects in 1986-87.

## ANALYSIS AND RECOMMENDATIONS

### Board Makes Progress in Spending Capital Outlay Funds

In the *Analysis of the 1985-86 Budget Bill*, we noted that the total amount requested for capital outlay in 1985-86 (\$18,820,000) was \$11.5 million more than the board had been able to spend in any single recent year. We also noted that the board probably would have a large carry-over balance from 1984-85, thereby making even more funds available for 1985-86. As a result, we questioned the board's ability to spend the total amount requested for 1985-86 with a staff of only nine people. The board, however, has substantially increased its expenditure rate.

Table 2 shows the board's actual capital outlay expenditures for the period 1979-80 through 1985-86 (estimated). Our review indicates that the board has spent \$11,239,000 in capital outlay funds during the first six months of 1985-86. If the board continues to spend at this rate through the budget year, it would spend approximately 73 percent of available funds in 1985-86 and it could spend all requested and carry-over funds in 1986-87.

Table 2  
Wildlife Conservation Board  
Capital Outlay Expenditures  
(dollars in thousands)

<i>Fiscal Year</i>	<i>Total Expenditures</i>
1979-80.....	\$10,071
1980-81.....	6,530
1981-82.....	8,780
1982-83.....	5,462
1983-84.....	4,522
1984-85.....	13,858
1985-86 (est.).....	22,478

**WILDLIFE CONSERVATION BOARD—CAPITAL OUTLAY—Continued****Information on Acquisition and Development Projects is Not Adequate**

*We make no recommendation on \$13,275,000 proposed for (1) land acquisition and development projects, and (2) project planning, because the board has not provided information on the scope and cost of proposed projects.*

The budget requests a total of \$13,275,000 for various *unspecified* acquisition and development projects, and for project planning. This amount consists of \$12.1 million from the Fish and Wildlife Habitat Enhancement (Bond) Fund, \$1,025,000 from the Wildlife Restoration Fund and \$150,000 in reimbursements.

The budget does not identify (1) the specific projects the board proposes to fund, or (2) the expected costs of these projects. Although the board has provided lists of potential acquisition and development projects, these lists do not identify the costs of individual projects or provide specific project justification. Furthermore, the board indicates that the projects on the lists are either (1) tentative, and subject to change, or (2) not necessarily projects that will be funded in 1986–87.

It has been the Legislature's practice in the past to grant the board unusual budget flexibility.

Without information on the specific projects to be funded and the costs of these projects, we have no basis for making a recommendation to the Legislature on this portion of the board's request.

**Wetlands Acquisition and Development**

*We recommend deletion of \$500,000 requested from the Environmental License Plate Fund (ELPF) for acquisition and development of wetlands and riparian habitats because funding from a more appropriate source is available for these projects. (Reduce Item 3640-301-140 by \$500,000).*

The budget requests \$500,000 from the Environmental License Plate Fund (ELPF) for acquisition and development of wetlands and riparian habitats. The budget does not identify what specific projects will be accomplished with these funds.

The Fish and Wildlife Habitat Enhancement (Bond) Fund is a more appropriate funding source than the ELPF for projects of this type. The ELPF can be used to finance a much broader range of activities than the bond fund. The 1984 Bond Act made \$55 million available to the WCB, upon appropriation by the Legislature, for the acquisition and development of wildlife habitats. In addition, the Bond Act made \$30 million available to the State Coastal Conservancy for the acquisition and development of wildlife habitats. Of the total \$85 million authorized by the measure, an estimated \$59,694,000 remains available for appropriation in 1986–87.

As we noted earlier in this analysis, the board is requesting \$12.1 million from the Fish and Wildlife Habitat Enhancement (Bond) Fund in 1986–87 for unspecified habitat acquisition and enhancement projects and project planning. The board could fund the projects proposed for support from the ELPF using bond funds instead without displacing any specific projects.

Consequently, in order to increase the Legislature's fiscal flexibility in achieving its priorities through the budget, we recommend deletion of \$500,000 requested from the ELPF for acquisition and development of wetlands and riparian habitat.

**Minor Projects**

*We recommend that the Legislature (1) delete \$300,000 requested from the Wildlife Restoration Fund (Item 3640-301-447(1)) for minor projects because the Legislature has funded certain of these projects in the current year, and (2) adopt supplemental report language describing the scope and amount of funds budgeted for each of the remaining five proposed projects in order to ensure that the funds are used in accordance with Legislative intent.*

The budget proposes \$750,000 from the Wildlife Restoration Fund for seven minor capital outlay projects (\$200,000 or less per project) in Item 3640-301-447(1). These projects involve the construction, repair, or renovation of public facilities financed by the board and operated by local agencies. The request consists of the following specific project proposals, which were developed by local agencies:

- Lake Evans fishing floats and walkways (Riverside)—\$100,000
- Greyhound Rocks improved access and facilities (Santa Cruz County)—\$140,000
- Putah Creek parking facility (Yolo County)—\$90,000
- Sacramento River Docks fishing access trails and floats (Sacramento)—\$190,000
- Luffenholtz Creek parking area and beach access trail improvements (near Eureka)—\$50,000
- Big Bear public access to fishing areas (San Bernardino County)—\$70,000
- Elk River Spit trail and bridge construction for fishing access (near Eureka)—\$110,000

The Legislature provided funding in the current year for the Sacramento River Docks and the Elk River Spit projects. Because these projects have already received funding, there is no reason to fund them again in 1986-87. Accordingly, we recommend a reduction of \$300,000 in Item 3640-301-447(1). We further recommend that the Legislature adopt supplemental report language describing the scope and amount of funds budgeted for each of the remaining five projects. This will ensure that the funds are used in accordance with legislative intent.

**Report on San Luis Island**

In the *Supplemental Report of the 1985 Budget Act*, the Legislature directed the WCB to study and determine the suitability of acquiring real property on the westerly portion of San Luis Island in Merced County. The board submitted its report to the Legislature in October 1985. The report, prepared by staff of the Department of Fish and Game, indicates that the property may have serious problems associated with selenium contamination. The report concludes that, although the property does have wildlife values, the potential problems associated with selenium contamination far outweigh the benefits of state acquisition at this time.

---

**Resources Agency**  
**DEPARTMENT OF BOATING AND WATERWAYS**

Item 3680 from the General

Fund and Special Funds

Budget p. R 98

Requested 1986-87 .....	\$31,608,000
Estimated 1985-86 .....	34,726,000
Actual 1984-85 .....	24,705,000
Requested decrease \$3,118,000 (-9.0 percent)	
Total recommended reduction .....	211,000

**1986-87 FUNDING BY ITEM AND SOURCE**

Item—Description	Fund	Amount
3680-001-001—Support	General	\$260,000
3680-001-516—Support	Harbors and Watercraft Re- volving Fund	3,704,000
3680-001-890—Support	Federal Trust	(150,000)
3680-101-516—Local assistance, boating facilities and law enforcement	Harbors and Watercraft Re- volving Fund	27,629,000
3680-101-890—Local assistance, boating facilities	Federal Trust	(750,000)
3680-111-890—Local assistance, beach erosion con- trol	Federal Trust	(3,705,000)
Reimbursements	—	15,000
Total		\$31,608,000

**SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS**Analysis  
page

1. Beach Erosion Studies. Recommend that during budget hearings, the department explain how it will use data collected for ongoing studies in 1985-86 if funding for those studies is not continued in 1986-87. 482
2. *Funding for Coastal Access. Reduce Item 3680-111-890(b) by \$176,000.* Recommend reduction because funding for beach access is the responsibility of the Coastal Conservancy and the conservancy has funds available for this purpose. 483
3. Grants for Boating Enforcement and Safety. Recommend re-adoption of Budget Bill language setting forth the criteria to be used by the department in distributing federal funds for local boating safety and enforcement programs. 483
4. *Technical Adjustment. Reduce Item 3680-111-890(a) by \$35,000.* 484

**GENERAL PROGRAM STATEMENT**

The Department of Boating and Waterways (1) constructs boating facilities for the state park system and State Water Project reservoirs, (2) makes loans to public and private marina operators to finance the development of small craft harbors and marinas, (3) makes grants to local agencies to finance beach erosion projects, boat launching facilities, boating safety, and law enforcement, (4) conducts a boating education program, (5) licenses yacht and ship brokers and for-hire vessel operators, (6) coordinates the work of other state and local agencies and the U.S. Army Corps

of Engineers in implementing the state's beach erosion control program, and (7) serves as the lead state agency in controlling water hyacinth in the Sacramento-San Joaquin Delta and the Suisun Marsh.

The department has 57.4 personnel-years of staff in the current year.

### OVERVIEW OF THE BUDGET REQUEST

The budget proposes expenditures of \$31,608,000 from state funds and reimbursements for the Department of Boating and Waterways (support and local assistance) in 1986-87. This is a decrease of \$3,118,000, or 9.0 percent, from comparable expenditures in the current year. The proposed decrease in expenditures from state funds primarily reflects a cost shift for beach erosion control projects from the General Fund to federal funds. Total expenditures, including expenditures from federal funds, are proposed at \$36,213,000 in 1986-87. This amount is virtually the same as in the current year—a decrease of \$124,000, or 0.3 percent.

The budget does not include additional funding for Merit Salary Adjustments or inflation adjustments to Operating Expenses and Equipment. The department estimates that it will have to absorb approximately \$74,000 in such costs.

Table 1 summarizes the staffing and expenditures for the department from 1984-85 through 1986-87. Table 2 shows the proposed budget changes, by funding source, for the department.

**Table 1**  
**Department of Boating and Waterways**  
**Budget Summary**  
**1984-85 through 1986-87**  
**(dollars in thousands)**

Program	Personnel-Years			Expenditures			Percent Change From 1985-86
	Actual	Est.	Prop.	Actual	Est.	Prop.	
	1984-85	1985-86	1986-87	1984-85	1985-86	1986-87	
Boating facilities.....	19.0	19.3	19.3	\$16,718	\$24,207	\$26,585	10%
Boating operations.....	18.0	18.1	18.1	5,276	6,031	5,663	-6
Beach erosion control.....	3.0	3.0	3.0	3,396	5,851	3,965	-32
General management (distributed to other programs) .....	16.4	17.0	17.0	(721)	(851)	(898)	6
Totals.....	56.4	57.4	57.4	\$25,390	\$36,089	\$36,213	0.3%
Funding Source							
General Fund .....				\$3,121	\$2,449	\$260	-89%
Harbors and Watercraft Revolving Fund .....				21,283	28,410	31,333	10
Federal funds .....				685	1,363	4,605	238
Special Account for Capital Outlay.....				—	3,402	—	-100
California Environmental License Plate Funds.....				275	450	—	-100
Reimbursements.....				26	15	15	—

## DEPARTMENT OF BOATING AND WATERWAYS—Continued

Table 2  
Department of Boating and Waterways  
Proposed Budget Changes  
1986-87  
(dollars in thousands)

	General Fund	Harbors and Water- craft Revolving Fund	Other Special Funds	Federal Funds and Reim- bursements	Total
1985-86 Expenditures (Revised) .....	\$2,449	\$28,410	\$3,852 <sup>a</sup>	\$1,363	\$36,074
A. Changes in loan and grant programs					
1. Loans to public agencies for marina development .....	—	2,550	—	—	2,550
2. Loans to private recreational marinas .....	—	1,000	—	—	1,000
3. Grants to local governments:					
a. Boat launching facilities .....	—	-803	—	—	-803
b. Boating safety and law enforcement .....	—	—	—	-463 <sup>b</sup>	-463
c. Beach erosion projects .....	-1,600	—	-3,852	3,705 <sup>c</sup>	-1,747
B. Beach erosion studies .....	-600	—	—	—	-600
C. Salary and benefit increases and miscellaneous adjustments .....	11	176	—	—	187
1986-87 Expenditures (Proposed) .....	260	31,333	—	4,605	36,198
Change from 1985-86:					
Amount .....	-2,189	2,923	-3,852	3,242	124
Percent .....	-89.4%	10.0%	-100.0%	238.0%	0.3%

<sup>a</sup> Consists of \$3,402,000 from the Special Account for Capital Outlay, and \$450,000 from the California Environmental License Plate Fund.

<sup>b</sup> Federal Funds.

<sup>c</sup> Potential revenues from federal offshore oil development anticipated under Section 8(g) of Outer Continental Shelf Lands Act.

## ANALYSIS AND RECOMMENDATIONS

## No Funding for Ongoing Studies

*We recommend that at the time of budget hearings, the department explain how it will use data collected in 1985-86 for ongoing beach erosion control studies if funding for these studies is not continued in 1986-87.*

In 1985-86, the department received a total of \$600,000 from the General Fund for beach erosion studies. This amount consisted of \$190,000 for studies to be completed in the current year and \$410,000 for the first-year cost of the following multiyear studies: (1) Investigation of Sand Transport in San Diego County (\$50,000) and (2) Monterey Bay Regional Shoreline Study (\$360,000). According to the materials submitted by the department in support of its request for these funds, the San Diego study was planned as a five-year program, and the Monterey study was planned as a three-year program.

The department is not requesting funding to continue these studies in 1986-87.

It is not clear what will be accomplished with the \$410,000 provided by the Legislature for these ongoing studies in the current year. Both studies involve the collection of sand transport and beach erosion data at the same locations over a number of years, in order to learn more about the causes of beach erosion. Consequently, if these studies are not continued in 1986-87, the data collected during the current year may not be useful.



We recommend that during budget hearings, the department report on how it will use the data collected in the current year from these two studies if the studies are terminated.

**Inappropriate Funding Source for Coastal Access.**

*We recommend that the Legislature reduce by \$176,000 the amount budgeted for the Pacifica erosion control project because coastal access improvements should be funded locally or by the Coastal Conservancy, which is the state agency responsible for funding coastal access projects. (Reduce Item 3680-111-890(b) by \$176,000.)*

The budget requests \$2,025,000 in federal funds for Phase II of a beach erosion control project at Beach Boulevard, Pacifica, in San Mateo County. (The source of these funds is offshore oil revenue that the state hopes to receive under Section 8(g) of the Outer Continental Shelf Lands Act.) The amount requested will fund 75 percent of the total project costs (\$2.9 million). The city of Pacifica will provide the remaining 25 percent.

The project involves construction of a seawall along the southern half of Beach Boulevard. The seawall along the northern half was completed in 1985. The department spent \$1,530,000 on the first phase of this project.

Included in the total project cost of Phase II is \$235,000 for beach access stairways and a ramp. This part of the project is more appropriately funded by the Coastal Conservancy, which is responsible for projects intended to increase public access along the coast. The conservancy's budget for 1986-87 includes \$4.5 million in bond funds for that purpose. In fact, the Conservancy provided funding to the city of Pacifica for beach access as part of Phase I of this project.

On this basis, we recommend that the Legislature reduce the project budget by \$176,000 (75 percent of \$235,000) to delete funds for beach access.

**Grants for Boating Enforcement and Safety**

*We recommend that the Legislature once again adopt Budget Bill language in Item 3680-101-890 setting forth the priorities that the department must observe in distributing federal funds to local governments for boating enforcement and safety.*

The department requests \$3,950,000 to fund grants for local boating safety and enforcement programs in 1986-87. This amount consists of \$3,200,00 from the Harbors and Watercraft Revolving Fund (HWRF) and \$750,000 in federal funds from motorboat fuel taxes. The same amount was appropriated in the current year.

The Legislature added language in the 1985 Budget Act requiring the department to distribute the federal funds for boating enforcement and safety in a manner consistent with the statutory criteria governing the distribution of state funds appropriated for this purpose. (Please see the *Analysis of the 1985-86 Budget Bill*, p. 497 for a discussion of this issue.) Essentially, these criteria give first priority for grants to those counties with the greatest boating safety and enforcement needs which lack adequate local boating revenues to meet those needs.

The 1986 Budget Bill does not contain the language adopted by the Legislature last year.

We believe the language which the Legislature included in the 1985 Budget Act assures that the state will make the most effective use of federal funds. It also assures that the use of federal funds will not subvert

**DEPARTMENT OF BOATING AND WATERWAYS—Continued**

the policy objectives set by the Legislature in establishing an allocation method for state boating safety funds. Accordingly, we recommend that the Legislature adopt the following Budget Bill language for Item 3680-101-890:

“Of the amount appropriated by this item, \$750,000 shall be for grants to local governments for boating safety and law enforcement, 15 percent of which shall be allocated according to the department’s discretion, and 85 percent of which shall be allocated by the department in accordance with the following priorities:

First—To local governments eligible for state aid because they are spending all their local boating revenue on boating enforcement and safety, but are not receiving sufficient state funds to meet their calculated need as defined in Section 663.7 of the Harbors and Navigation Code.

Second—To local governments that are not spending all local boating revenue on boating enforcement and safety, and whose boating revenue does not equal their calculated need. Local assistance shall not exceed the difference between the calculated need and local boating revenue.

Third—To local governments whose boating revenue exceeds their need, but who are not spending sufficient local revenue to meet their calculated need.”

**Beach Erosion Project Costs Miscalculated**

*We recommend that the Legislature reduce by \$35,000 the amount budgeted for the Alameda Beach erosion control project to reflect the actual cost of this project. (Reduce Item 3680-111-890(a) by \$35,000.)*

The department requests \$1,680,000 in federal outer continental shelf revenue anticipated under Section 8(g) of the Federal Outer Continental Shelf Lands Act for a beach erosion control project at Alameda Beach in Alameda County. (Please see *The 1986–87 Budget: Perspectives and Issues* for a discussion of Section 8(g) funds.) This amount represents 75 percent of the total project costs (\$2,240,000). The East Bay Regional Park District will provide the remaining 25 percent.

Detailed information provided by the department indicates that the project cost actually is \$2,193,000. Therefore, the state’s share of the project should only be \$1,645,000. Accordingly, we recommend that the Legislature reduce funding for the project by \$35,000.

**Loans for Public Marinas**

*We recommend approval.*

The budget requests \$19.2 million in 1986–87 from the Harbors and Watercraft Revolving Fund (Item 3680-101-516) for loans to local governments to help finance the construction or improvement of public marinas. This is an increase of \$2,550,000, or 15 percent, over current-year expenditures.

As shown in Table 3, the requested amount consists of \$19.1 million for nine harbor development projects and \$100,000 for statewide planning loans. Our review indicates that the individual projects and the amounts requested for them are justified.

**Table 3**  
**Small Craft Harbor Loans**  
**1986-87**

<i>Projects</i>	<i>County</i>	<i>Status</i>	<i>Amount</i>
Antioch Marina.....	Contra Costa	Phase III-New Marina	\$500,000
Moss Landing .....	Monterey	Improvements	250,000
Oceanside Harbor .....	San Diego	Improvements	4,000,000
Pittsburg Marina .....	Contra Costa	Phase II-New Marina	4,750,000
Planning Loans.....	Statewide	Unspecified	100,000
Port San Luis Harbor .....	San Luis Obispo	Improvements	1,800,000
Sacramento Boat Harbor .....	Sacramento	Phase II-Marina Expansion	3,000,000
Seabridge Marina.....	Orange	Phase II-New Marina	1,600,000
South Beach .....	San Francisco	Phase III-New Marina	400,000
Vallejo Marina .....	Solano	Phase III-New Marina	2,800,000
Total .....			\$19,200,000

### **Launching Facility Grants**

#### *We recommend approval*

The budget requests \$4,229,000 from the Harbors and Watercraft Revolving Fund (Item 3680-101-516) in 1986-87 for grants to local governments for construction of boat launching ramps, restrooms, and parking areas (see Table 4). This amount is \$803,000, or 16 percent, less than current-year expenditures. Our review indicates that the individual projects and the amounts requested for them are justified. Accordingly, we recommend that the requested funds be approved.

**Table 4**  
**Launching Facility Grants**  
**1986-87**

<i>Project</i>	<i>County</i>	<i>Status</i>	<i>Amount</i>
Benicia Ramp .....	Solano	Improvements	\$100,000
Dark Day, Bullards Bar Reservoir.....	Yuba	Improvements	25,000
Dos Reis .....	San Joaquin	Improvements	50,000
Floating Restrooms .....	Statewide	New Facilities	150,000
Lake Hodges .....	San Diego	New Facility	715,000
Martinez Marina .....	Contra Costa	Improvements	280,000
Lake McClure .....	Merced	Improvements	298,000
Lake McSwain .....	Merced	Improvements	215,000
Lake Miramar .....	San Diego	Improvements	265,000
Park Moabi .....	San Bernardino	Improvements	125,000
Parkside Aquatic .....	San Mateo	New Facility	350,000
Lake Pillsbury .....	Lake	New Facility	356,000
Ramp Repairs and Modifications.....	Statewide	Improvements	100,000
San Pablo Reservoir .....	Contra Costa	New Facility	500,000
South Shores .....	San Diego	New Facility	700,000
Total .....			\$4,229,000

DEPARTMENT OF BOATING AND WATERWAYS—CAPITAL  
OUTLAY

Item 3680-301 from the Harbors  
and Watercraft Revolving  
Fund

Budget p. R 105

---

Requested 1986-87 .....	\$735,000
Recommended approval .....	735,000

---

ANALYSIS AND RECOMMENDATIONS

The budget requests \$735,000 from the Harbors and Watercraft Revolving Fund (HWRF) for capital outlay projects proposed by the Department of Boating and Waterways in 1986-87. The funds will be used to develop and expand boating facilities in the state park system, at State Water Project Reservoirs, and at other state-owned lands.

(1) Project Planning ..... \$20,000  
*We recommend approval*

The budget requests \$20,000 for use in evaluating proposed projects and preparing budget estimates for 1986-87. The amount requested is reasonable.

(2) Minor Projects ..... \$715,000  
*We recommend approval*

The department is requesting \$715,000 for minor capital outlay projects at the following areas:

- Brannan Island State Recreation Area (\$80,000)
- Davis Lake (\$42,000)
- Frenchman Lake (\$166,000)
- Millerton Lake State Recreation Area (\$39,000)
- O'Neill Forebay (\$22,000)
- Lake Oroville (\$16,000)
- Salton Sea State Park (\$40,000)
- Sherman Island (\$45,000)
- Stone Lagoon State Park (\$190,000)
- Statewide repairs and modifications (\$75,000)

These projects are reasonable in scope and cost and appear to be justified.

---

---

---

---

**Resources Agency**  
**CALIFORNIA COASTAL COMMISSION**

Item 3720 from the General  
 Fund and Environmental Li-  
 cense Plate Fund

Budget p. R 105

Requested 1986-87 .....	\$7,074,000
Estimated 1985-86 .....	6,717,000
Actual 1984-85 .....	6,268,000
Requested increase \$357,000 (+5.3 percent)	
Total recommended reduction .....	210,000

**1986-87 FUNDING BY ITEM AND SOURCE**

Item—Description	Fund	Amount
3720-001-001—Support	General	\$6,406,000
3720-001-140—Support	Environmental License Plate	348,000
3720-001-890—Support	Federal Trust	(2,254,000)
3720-101-001—Local Assistance	General	280,000
3720-101-890—Local Assistance	Federal Trust	(100,000)
Reimbursements	—	40,000
Total		\$7,074,000

**SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS**Analysis  
page

1. *Federal Funds Underbudgeted. Reduce Item 3720-001-001 by \$210,000 and increase Item 3720-001-890 by a corresponding amount.* Recommend reduction because the budget underestimates the amount of federal funds available to the commission. 490
2. Recommend that the commission report at budget hearings on the current status of the coastal management program, and its timetable for certifying Local Coastal Programs. 490

**GENERAL PROGRAM STATEMENT**

The California Coastal Commission administers the state's coastal management program pursuant to the 1976 Coastal Act (as amended). The two principal elements of this program involve the preparation of local coastal programs (LCPs) and the regulation of development in the 67 local jurisdictions within the coastal zone.

In addition, the Coastal Commission is the designated state coastal management agency for purposes of administering the federal Coastal Zone Management Act (CZMA) within California. Under the CZMA, California has received substantial federal funding to develop and implement the federally certified California Coastal Management Program (CCMP), which is based on the policies established in the Coastal Act. Because the CCMP is federally certified, the CZMA also delegates to the commission authority over some federal activities that otherwise would not be subject to state control.

The commission has 15 members, consisting of 6 public members, 6

**CALIFORNIA COASTAL COMMISSION—Continued**

elected local officials, and 3 nonvoting ex-officio members representing state agencies. The commission has its headquarters in San Francisco and maintains five district offices in key coastal areas (including San Francisco). The commission has 115.4 personnel-years of staff in the current year.

**OVERVIEW OF THE BUDGET REQUEST**

The budget proposes the expenditure of \$7,074,000 from state funds and reimbursements in 1986–87. This is an increase of \$357,000, or 5.3 percent, over current-year estimated expenditures. Total expenditures in 1986–87 are proposed at \$9,428,000, including \$2,354,000 in federal funds. This amount is \$969,000, or 11.5 percent more than total estimated expenditures in the current year.

Table 1 shows expenditures and staffing for the commission in the past, current, and budget years.

**Table 1**  
**California Coastal Commission**  
**Budget Summary**  
**1984–85 through 1986–87**  
**(dollars in thousands)**

Program	Personnel-Years			Expenditures			Percent Change From
	Actual	Est.	Prop.	Actual	Est.	Prop.	
	1984–85	1985–86	1986–87	1984–85	1985–86	1986–87	
Coastal Management Program .....	104.1	92.5	94.8	\$8,274	\$8,047	\$8,998	11.8%
Coastal Energy Program .....	6.0	6.0	6.0	569	372	390	4.8
Administration .....	16.9	16.9	16.9	905	897	943	5.1
Distributed Administration .....	—	—	—	—865	—857	—903	5.4
Totals .....	127.0	115.4	117.7	\$8,883	\$8,459	\$9,428	11.5%
Funding Source							
General Fund .....				\$5,925	\$6,347	\$6,686	5.3%
Environmental License Plate Fund .....				303	330	348	5.5
Reimbursements .....				40	40	40	—
Federal Trust Fund .....				2,615	1,742	2,354	35.1

The budget does not include additional funding for Merit Salary Adjustments or inflation adjustments to Operating Expenses and Equipment. We estimate that the commission will have to absorb approximately \$133,000 in such costs.

**Proposed Budget Changes for 1986–87**

Table 2 summarizes the changes proposed in the commission's budget for 1986–87, by funding source. The table shows that the only program change involves a \$650,000 grant from the Federal Trust Fund for the Tijuana River National Estuarine Sanctuary. The grant, which will be passed through to other state agencies, is part of \$2,354,000 which the commission expects to receive under the CZMA. As Table 3 shows, the commission expects to retain \$794,000 of this amount. The remaining \$1,560,000 (including the \$650,000) will be passed through to other departments.

**Table 2**  
**California Coastal Commission**  
**Proposed 1986-87 Budget Changes**  
**(dollars in thousands)**

	<i>General Fund</i>	<i>Other<sup>a</sup></i>	<i>Totals</i>
1985-86 Expenditures (revised) .....	\$6,347	\$2,112	\$8,459
A. Workload and Administrative Adjustments			
1. Deletion of one-time costs .....	—	-\$38 <sup>b</sup>	-\$38
2. Salary and other adjustments .....	220	—	220
3. Operating expenses and equipment adjustments to correct underfunding in the current year. ....	119	18 <sup>c</sup>	137
Total Workload and Administrative Adjustments .....	\$339	-\$20	\$319
B. Program Changes			
1. Tijuana River National Estuarine Sanctuary .....	—	\$650 <sup>b</sup>	\$650
1986-87 Expenditures (Proposed) .....	\$6,686	\$2,742	\$9,428
Change from 1985-86:			
Amount .....	\$339	\$630	\$969
Percent .....	5.3%	29.8%	11.5%

<sup>a</sup> Environmental License Plate Fund (ELPF), reimbursements, Federal Trust Fund

<sup>b</sup> Federal funds

<sup>c</sup> ELPF

**Table 3**  
**California Coastal Commission**  
**Proposed Allocation of Federal Coastal Zone Management Act (CZMA) Grants**  
**Including Pass-Through to Other Agencies**  
**1986-87**  
**(in thousands)**

	<i>Amount</i>
California Coastal Mangement Program (CZMA Section 306)	
A. California Coastal Commission:	
1. Operating Expenses and Equipment .....	\$594
2. Coastal Act Enforcement .....	100
3. Local Assistance .....	100
Total California Coastal Commission .....	\$794
B. State Coastal Conservancy	
1. Support .....	\$400
2. Local Assistance .....	310
Total State Coastal Conservancy .....	\$710
C. San Francisco Bay Conservation and Development Commission	
1. Support .....	\$200
Total California Coastal Management Program .....	\$1,704
Tijuana River National Estuarine Sanctuary (CZMA Section 315)	
A. State Coastal Conservancy .....	\$500
B. Department of Parks and Recreation .....	50
C. Unallocated .....	100
Total Tijuana River National Estuarine Sanctuary Program .....	\$650
Total Anticipated CZMA Grants .....	\$2,354

**Less Is More—A Budget Shell Game.** As Table 1 shows, the administration *claims* that the budget would increase the commission's staff by 2.3 personnel-years (PYs) in 1986-87. The budget, however, proposes no new positions or temporary help for the commission. The increase of 2.3

**CALIFORNIA COASTAL COMMISSION—Continued**

PYs simply reflects a reduction, from 8.5 PYs to 6.2 PYs, in the number of personnel-years attributed to salary savings due to vacancies. At the same time the budget proposes that the dollar amount of salary savings deducted from the commission's budget be *increased* by \$88,000. In short, after the smoke and mirrors disappear the budget provides for \$88,000 *less* to pay commission staff while claiming to fund an additional 2.3 PYs.

**ANALYSIS AND RECOMMENDATIONS**

We recommend approval of all workload and administrative adjustments shown in Table 2.

**Tijuana Estuarine Sanctuary**

The budget includes \$650,000 from an anticipated federal grant for the Tijuana River National Estuarine Sanctuary. The commission will pass these funds through to (1) the State Coastal Conservancy (\$500,000), which acquires land within the sanctuary and (2) the Department of Parks and Recreation (\$50,000), which manages the sanctuary. The remaining \$100,000 has yet to be allocated.

In the current year, the commission expects to receive \$609,000 in federal funds for the construction of a visitors center at the sanctuary (\$500,000) and other sanctuary projects (\$109,000). To date, the commission has received a total of \$1,559,000 in federal funds for the sanctuary, of which \$1,545,000 has been transferred to other state agencies or to nonprofit groups.

**Federal Funds Underbudgeted**

*We recommend that the Legislature reduce the General Fund appropriation by \$210,000 and increase the appropriation from the Federal Trust Fund by a corresponding amount because the budget underestimates federal Coastal Zone Management Act grants to California in 1986-87 (reduce Item 3720-001-001 by \$210,000 and increase Item 3720-001-890 by a corresponding amount).*

The budget proposes a total of \$2,354,000 from the Federal Trust Fund in 1986-87. As Table 3 shows, \$1,704,000 of this amount is anticipated under Section 306 of the federal CZMA for the California Coastal Management Program.

On January 29, 1986, the commission advised us that the state's preliminary planning allotment of federal funds under Section 306 of the CZMA in federal fiscal year 1986 is \$1,914,000. This amount reflects the fact that 4.3 percent of the amount appropriated will be requested pursuant to the federal Balanced Budget Act (Gramm-Rudman-Hollings). Accordingly, we recommend that the Legislature reduce the General Fund appropriation by \$210,000 and increase the appropriation of federal funds by a corresponding amount.

**Certification of LCPs is Sluggish**

*We recommend that the commission report at budget hearings on (1) the effect that closing the Eureka office and reducing the Santa Cruz office has had on the certification of LCPs in those districts and (2) its current schedule for certifying all LCPs.*

In 1985-86, the commission's coastal management program was reduced by 13.5 positions and \$472,000. The reduction reflects the closure of the



commission's Eureka office, as well as staffing cutbacks in the Santa Cruz office. The Department of Finance justified these reductions based on "the completion of LCPs and the assumption of permit activities by local governments in most north coast counties."

**Preparation of Local Coastal Programs.** The Coastal Act of 1976 requires each of the 67 cities and counties along the California coast to prepare local coastal programs (LCPs) for the portion of their jurisdiction within the coastal zone. Cities and counties may divide the coast into segments, each with its own LCP. The purpose of the LCPs is to conform local land use policies and ordinances with the policies of the Coastal Act. An LCP consists of land use plan (LUP) and any ordinances or other actions necessary to implement the LUP.

Until an LCP has been certified by the Coastal Commission, virtually all development within the coastal zone requires a permit from the commission. An LCP does not become final until both the LUP and the implementing ordinances have been provisionally certified by the commission, formally adopted by the local government, and then "effectively certified" by the commission.

**Current Status of LCP Certification.** As of December 9, 1985, 7 of the 17 LCPs (41 percent) in the north coast area (previously served by the Eureka office) had been effectively certified. In the central coast area (served by the Santa Cruz office), 6 of the 22 LCPs (27 percent) had been effectively certified. For the state as a whole, 39 (32 percent) of the 124 LCPs which are needed to cover the entire coast have been effectively certified. Thus, progress in the north coast area is somewhat ahead, and progress in the central coast area is somewhat behind, the progress made by the program as a whole. The differences, however, are modest. Therefore, it does not seem that the Department of Finance's reasons for cutting back the Eureka and Santa Cruz offices make any sense.

The Coastal Act required all local governments to submit their LCPs to the commission by January 1, 1984. Clearly, the coastal planning process has fallen far behind schedule (the January 1984 deadline itself is an extension of earlier deadlines). Reasons for the delay may include (1) difficulties in reaching agreement on LCP provisions, (2) staffing constraints imposed by the administration on the commission and (3) more workload than originally was anticipated.

A review of the commission's agendas indicates that a typical LUP is submitted two or three times before the commission certifies it. The Implementation Plans, however, do not contain new policy and generally are certified on their first submittal.

In addition, geographic areas which present particularly complicated problems may be deleted from a plan so the remainder of the LCP may be approved. Plans for these deferred certification areas ("white holes") ultimately must be reviewed and approved in the same manner as LCPs. Currently, 43 of these "white holes" exist.

Given the slow progress in certifying LCPs and transferring coastal permit jurisdiction to local governments, we recommend that the commission report at budget hearings on (1) the effect that closing the Eureka office and reducing the Santa Cruz office has had on the certification of LCPs in those two areas and (2) its current schedule for certifying all remaining LCPs.

---

**Resources Agency**  
**STATE COASTAL CONSERVANCY**

Item 3760 from the Coastal  
Conservancy Fund and vari-  
ous other funds

Budget p. R 111

Requested 1986-87 .....	\$3,516,000
Estimated 1985-86.....	3,222,000
Actual 1984-85 .....	2,905,000
Requested increase \$294,000 (+9.1 percent)	
Total recommended reduction .....	398,000

**1986-87 FUNDING BY ITEM AND SOURCE**

Item—Description	Fund	Amount
3760-001-565—Support	State Coastal Conservancy (Bond)	\$205,000
3760-001-730—Support	1984 State Coastal Conserv- ancy (Bond)	2,661,000
3760-001-748—Support	Fish and Wildlife Habitat Enhancement (Bond)	250,000
3760-401—Change in CUWARFA loan provisions	—	—
Reimbursements	—	400,000
Total		\$3,516,000

**SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS**

*Analysis*  
*page*  
495

1. *Loans to CUWARFA. Reduce Item 3760-001-730 by \$398,000, Delete Item 3760-401, and Delete Provision 1 of Item 3760-001-730.* Recommend deletion of \$398,000 requested to finance work on behalf of the California Urban Waterfront Area Restoration Financing Authority (CUWARFA) because the proposal is inconsistent with the policies previously adopted by the Legislature. Further recommend that the CUWARFA and the conservancy report at budget hearings on how the CUWARFA intends to repay its outstanding loans.

**GENERAL PROGRAM STATEMENT**

Chapter 1441, Statutes of 1976, established the State Coastal Conservancy in the Resources Agency. 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 coastal urban land uses, such as waterfronts. In general, the projects must conform to California Coastal Act policies and must be approved by the conservancy's governing board.

The conservancy's geographic jurisdiction covers the coastal zone as well as San Francisco Bay and Suisun Marsh. At the request of a local government, the conservancy also can undertake a project outside of the coastal zone, provided that the project enhances coastal resources.

The conservancy governing board consists of the Chairperson of the Coastal Commission, the Secretary of the Resources Agency, the Director of Finance, and four public members.

Chapter 1264, Statutes of 1983, established the California Urban Waterfront Area Restoration Financing Authority (CUWARFA). The statute authorizes the CUWARFA to sell tax-exempt revenue bonds as a means of financing urban waterfront area restoration projects. The conservancy must approve a project before the CUWARFA may finance it.

The conservancy is headquartered in Oakland and has 39.8 authorized positions in the current year.

### OVERVIEW OF THE BUDGET REQUEST

The budget proposes total expenditures of \$3,516,000 for support of the conservancy in 1986-87. This is an increase of \$294,000, or 9.1 percent, over estimated total expenditures in the current year. The conservancy is not proposing any change in its staffing level for 1986-87.

**Table 1**  
**State Coastal Conservancy**  
**Budget Summary**  
**1984-85 through 1986-87**  
**(dollars in thousands)**

Program	Personnel-Years			Expenditures			Percent Change From 1985-86
	Actual	Est.	Prop.	Actual	Est.	Prop.	
	1984-85	1985-86	1986-87	1984-85 <sup>a</sup>	1985-86 <sup>b</sup>	1986-87 <sup>c</sup>	
Agricultural Land Preservation .....	2.0	2.0	2.0	\$478	\$248	\$233	-6.0%
Coastal Restoration.....	2.0	1.0	1.0	842	362	368	1.7
Public Access .....	2.0	2.0	2.0	2,476	274	436	59.1
Resource Enhancement .....	6.0	6.0	6.0	2,818	1,367	1,364	-0.2
Site Reservation .....	1.0	1.0	1.0	197	185	225	21.6
Urban Waterfront Restoration .....	5.0	4.0	4.0	6,240	750	708	-5.6
Nonprofits.....	1.0	1.0	1.0	151	36	182	405.6
Distributed Administration .....	22.6	21.0	21.0	(956)	(950)	(1,001)	5.4
Adjustment for local assistance in 1984-85.....	—	—	—	-10,297	—	—	—
Totals .....	41.6	38.0	38.0	\$2,905	\$3,222	\$3,516	9.1%
<b>Funding Source</b>							
General Fund .....	—	—	—	—	\$398	—	-100.0%
State Coastal Conservancy (Bond) Fund .....	—	—	—	2,280	711	205	-71.2
Parklands (Bond) Fund of 1980.....	—	—	—	10,325	1,101	—	-100.0
State Coastal Conservancy (Bond Fund of 1984.....	—	—	—	—	357	2,661	645.4
Fish and Wildlife Habitat Enhancement (Bond) Fund .....	—	—	—	—	150	250	66.7
Reimbursements .....	—	—	—	597	505	400	-20.8

<sup>a</sup> Individual program amounts in 1984-85 include expenditures for local assistance. Total expenditures in 1984-85 are adjusted to exclude local assistance in order to be comparable with the totals for 1985-86 and 1986-87.

<sup>b</sup> For 1985-86, individual program expenditures have been adjusted to eliminate local assistance based on conservancy estimates. The Governor's Budget includes local assistance in program expenditures.

<sup>c</sup> Corresponds to figures in the Governor's Budget.

As shown in Table 1, the conservancy's budget request consists of three appropriations totaling \$3,116,000 from various state funds and \$400,000 in reimbursements. The reimbursements consist entirely of federal Coastal Zone Management Act (CZMA) funds allocated to the conservancy by the Coastal Commission. The Coastal Commission is the single state agency designated to receive CZMA funds.

**STATE COASTAL CONSERVANCY—Continued**

The budget does not include additional funding for Merit Salary Adjustments or inflation adjustments to Operating Expenses and Equipment.

**Change in Budget Presentation**

In the past, the budget request for the conservancy has indicated only the total amount to be spent, by funding source. The budget for 1986-87, however, displays the allocation of funds by program. This should help the Legislature better understand the conservancy's staffing needs and program priorities.

The conservancy's support budget for 1986-87 differs from previous budgets in another way: it proposes no funds for local assistance. Local assistance is now budgeted as part of the conservancy's requests for capital outlay, which we analyze separately. In general, the conservancy's local assistance expenditures are similar to capital outlay in that they involve the loaning or granting of funds to local governments to buy, restore, preserve, or maintain environmentally sensitive coastal property and provide for public access. Language in the conservancy's capital outlay items would allow these funds also to be spent for local assistance.

We have adjusted the figures in Tables 1 and 2 to account for this change in budget presentation, in order to provide a more useful comparison of support expenditures.

**Proposed Budget Changes for 1986-87**

**Table 2**  
**State Coastal Conservancy**  
**Proposed 1986-87 Budget Changes**  
(dollars in thousands)

	<i>General Fund</i>	<i>Various Bond Funds</i>	<i>Reim- burse- ments</i>	<i>Totals</i>
1985-86 Expenditures (revised).....	\$398	\$2,319	\$505	\$3,222
A. Proposed Workload and Administrative Adjustments				
1. Pro rata adjustment .....	—	\$351 <sup>a</sup>	—	\$351
2. Deletion of one-time costs .....	—	—	-105	-105
3. Salary and benefit increases and other adjustments.....	—	48 <sup>b</sup>	—	48
Total Workload and Administrative Adjustments.....	—	\$399	-\$105	\$294
B. Program Changes				
1. Funding shift for CUWARFA <sup>c</sup> related work .....	-\$398	\$398 <sup>d</sup>	—	—
1986-87 Expenditures (Proposed).....	—	\$3,116	\$400	\$3,516
Change from 1985-86:				
Amount.....	-\$398	\$797	-\$105	\$294
Percent.....	-100.0%	34.4%	-20.8%	9.1%

<sup>a</sup> Parklands Fund of 1980 (-\$1,101,000), State Coastal Conservancy Fund of 1984 (\$1,858,000), Fish and Wildlife Habitat Enhancement Fund of 1984 (\$100,000), and State Coastal Conservancy Fund of 1976 (-\$506,000).

<sup>b</sup> State Coastal Conservancy Fund of 1984.

<sup>c</sup> California Urban Waterfront Restoration Financing Authority.

<sup>d</sup> State Coastal Conservancy Fund of 1984.

Table 2 summarizes the changes proposed in the conservancy's support budget for 1986-87, by funding source. The table shows that the total proposed increase of \$294,000 reflects (1) an increase of \$351,000 in pro rata (2) an increase of \$48,000 in salary and other miscellaneous adjustments, and (3) a decrease of \$105,000 in reimbursements from federal CZMA funds (\$65,000), the Carlsbad Agricultural Subsidy Program (\$25,000), the Coastal Commission (\$10,000), and the San Francisco Bay Conservation and Development Commission (\$5,000).

### ANALYSIS AND RECOMMENDATIONS

We recommend approval of all of the proposed workload and administrative adjustments shown in Table 2.

#### Financing Authority Is In Debt

*We recommend that the Legislature delete \$398,000 (and related Budget Act language) requested for the California Urban Waterfront Area Restoration Financing Authority (CUWARFA), because the request contradicts policies previously adopted by the Legislature. (Reduce Item 3760-001-730 by \$398,000, delete Item 3760-401, and delete Provision 1 of Item 3760-001-730). We further recommend that during budget hearings, the conservancy (1) explain how the CUWARFA will repay its outstanding indebtedness and (2) discuss the likelihood that CUWARFA will apply for another loan to fund its 1986-87 expenditures.*

The conservancy requests \$398,000 in 1986-87 from the State Coastal Conservancy (Bond) Fund of 1984 to finance staff work on projects that may be supported by the California Urban Waterfront Area Restoration Financing Authority (CUWARFA). Provision 1 of Item 3760-001-730 specifies that, upon project approval by CUWARFA, this money shall be considered a loan which is to be repaid by CUWARFA with interest using funds raised through the sale of the revenue bonds.

The budget also proposes to change a provision in the 1985 Budget Act (Provision 1 of Item 3760-001-001). This provision required that a \$398,000 General Fund loan made to the CUWARFA in 1985-86 shall be repaid with interest by the CUWARFA Fund within two years. The proposed change would eliminate the requirement that the loan be repaid within two years, and instead allow the CUWARFA to repay the General Fund for "actual staff costs at a rate determined by the Department of Finance."

**Background.** Chapter 1264, Statutes of 1983 established the California Urban Waterfront Area Restoration Financing Authority (CUWARFA) to sell tax-exempt revenue bonds as a means of financing coastal and inland urban waterfront restoration projects. The legislation also (1) created the CUWARFA Fund in the State Treasury, which receives all moneys from fees charged by CUWARFA to project applicants, (2) requires conservancy approval of projects before they can be funded by the CUWARFA, and (3) empowers the CUWARFA to use conservancy staff (among other resources) to process project inquiries and applications.

**Inappropriate Use of Funds.** The use of money in the State Coastal Conservancy Fund of 1984 to pay costs related to CUWARFA activities is

**STATE COASTAL CONSERVANCY—Continued**

not appropriate. The bond act that created the fund (Ch 5/84) limits use of this money to only those purposes provided for by the conservancy's enabling statute (Division 21 of the Public Resources Code). This statute does *not* mention the CUWARFA program.

Further, Section 32061 of the Public Resources Code requires the CUWARFA to be self-financing. It states that "all expenses incurred" by the CUWARFA "shall be payable solely" from fee revenue, and "under no circumstance shall the authority (CUWARFA) create any debt, liability, or obligation on the part of the State of California payable from any source other than the moneys provided under this division." Section 32116, however, does provide for the authority's start-up costs. It states that the CUWARFA "may borrow money as needed for these expenses from the *General Fund*." The section also requires that any loan be repaid, with interest, within a "reasonable time."

Last year the conservancy requested \$398,000 from the State Coastal Conservancy Fund of 1984 to support CUWARFA related costs. The Legislature found this to be an inappropriate source of funding for CUWARFA's activities, and instead provided \$398,000 from the General Fund as a *loan* to CUWARFA. The budget now proposes to (1) change the conditions for repayment of this loan and (2) allow the conservancy to use money in the State Coastal Conservancy Fund of 1984 to support CUWARFA related costs in 1986-87.

**Increasing Debt.** So far, the conservancy has loaned to CUWARFA a total of \$908,000 (\$510,000 from the State Coastal Conservancy Fund and \$398,000 from the General Fund). If the conservancy's request for an additional \$398,000 in 1986-87 is approved, CUWARFA's outstanding debt will grow to \$1,306,000 plus interest.

The conservancy's loan agreement with the CUWARFA provides for repayment in an amount equal to 0.25 percent of the face-value of all revenue bonds sold by the authority. Thus, the CUWARFA would have to sell \$522,400,000 in revenue bonds to repay just the principal amount that is owed to the conservancy (plus an additional amount to cover interest on the loans).

Although it has been in existence since January 1, 1984, the CUWARFA had not sold *any* bonds at the time this analysis was written. Nevertheless, the conservancy continues to spend state funds on CUWARFA projects. At this point, it would seem prudent for the conservancy to begin worrying about how to limit its exposure and cut its losses. The language proposed in the budget for 1986-87, however, goes in the opposite direction. The language does not (1) provide any assurance that the loan will be repaid, (2) impose any limit on the amount that the conservancy can spend on CUWARFA work, or (3) designate any time limit for repayment.

We do not believe that the budget is consistent with the Legislature's policies. Accordingly, we recommend that the Legislature (1) reduce Item 3760-001-730 by \$398,000, (2) delete Item 3760-401 and Provision 1 of Item 3760-001-730 and (3) direct the CUWARFA and the conservancy to explain how the outstanding loans will be repaid.

---

STATE COASTAL CONSERVANCY—CAPITAL OUTLAY

Item 3760-301 from Various  
Funds

Budget p. R 116

Requested 1986-87 .....	\$27,782,000
Recommended approval .....	70,000
Recommended reduction .....	1,712,000
No recommendation .....	26,000,000

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

Analysis  
page

- |   |     |
|---|-----|
| 1. <i>Buena Vista Lagoon Enhancement Project. Reduce Item 3760-301-140 by \$112,000.</i>  | 498 |
| Recommend deletion of funds requested from the Environmental License Plate Fund for the Buena Vista Lagoon enhancement project because there is no definite plan to acquire the land needed for the project.          |     |
| 2. <i>San Elijo Lagoon. Reduce Item 3760-301-140 by \$800,000.</i>  | 499 |
| Recommend deletion of \$800,000 requested from the Environmental License Plate Fund for the San Elijo Lagoon acquisition project because the conservancy can fund the project from a more appropriate funding source. |     |
| 3. <i>Violation Remediation projects.</i>   | 500 |
| Recommend approval of a \$70,000 appropriation from the State Coastal Conservancy Fund for the remediation of violations to the Coastal Act.  |     |
| 4. <i>Window-on-the-Bay Acquisition. Add Item 3760-495.</i>   | 501 |
| Recommend that \$3.5 million be reverted to the Coastal Conservancy fund of 1984 because the Department of Parks and Recreation, rather than the conservancy, will acquire this property.                             |     |
| 5. <i>Buena Vista Lagoon Enhancement Project. Reduce Item 3760-301-748 by \$800,000.</i>  | 502 |
| Recommend deletion of funds requested from the Fish and Wildlife Habitat Enhancement Fund for the Buena Vista Lagoon watershed because commitments necessary to perform the project have not been secured.            |     |

OVERVIEW OF THE BUDGET REQUEST

The budget proposes appropriations totaling \$27,782,000 from four different funding sources for the State Coastal Conservancy's capital outlay program in 1986-87. The conservancy proposes to use these funds for (1) three specific projects costing \$1,712,000 and (2) various other unspecified projects in 6 different program areas, costing \$26,070,000. The largest portion of the funds—\$17,000,000—is requested from the State Coastal Conservancy (Bond) Fund of 1984.

For discussion purposes, we have divided the department's program into four parts, based on the proposed funding source. Table 1 shows the department's total capital outlay request, by funding source, and indicates the page on which the analysis of projects and programs supported from each funding source begins.

**STATE COASTAL CONSERVANCY—CAPITAL OUTLAY—Continued**

**Table 1**  
**State Coastal Conservancy**  
**Proposed Capital Outlay Appropriations for 1986-87**  
**(dollars in thousands)**

Item	Fund	Budget Bill Amount	Anal- ysis Page
3760-301-140	Environmental License Plate .....	\$912	498
3760-301-565	State Coastal Conservancy (Bond) .....	70	500
3760-301-730	1984 State Coastal Conservancy (Bond) .....	17,000	500
3760-301-748	Fish and Wildlife Habitat Enhancement (Bond) .....	9,800	502
Total .....		\$27,782	

This year, the conservancy is not requesting any appropriations for local assistance. Instead, the budget includes language in each of the capital outlay items which would allow use of these funds (except \$70,000 requested for minor capital outlay in Item 3760-301-565) for local assistance. Consequently, if the language is approved, the money requested in the budget could be used either for projects carried out directly by the conservancy or for grants to local agencies or nonprofit organizations.

**ANALYSIS AND RECOMMENDATIONS**

**ENVIRONMENTAL LICENSE PLATE FUND**

**ITEM 3760-301-140**

**(1) Buena Vista Lagoon enhancement ..... \$112,000**

*We recommend that the Legislature delete \$112,000 requested from the Environmental License Plate Fund for the Buena Vista Lagoon enhancement project because there is no definite plan to acquire the land needed for the project. (Reduce Item 3760-301-140 by \$112,000.)*

The conservancy requests a total of \$912,000 in 1986-87 for resource enhancement projects at the Buena Vista Lagoon (in San Diego County) and its related watershed. Of this amount, \$112,000 is requested from the Environmental license Plate Fund (ELPF) for the design and construction of eight storm water detention basins to reduce sedimentation in the Buena Vista Lagoon, and \$800,000 is requested (in Item 3760-301-748) from the Fish and Wildlife Habitat Enhancement (Bond) Fund of 1984 to provide for the reconfiguration and revegetation of the Buena Vista Creek flood plain in order to slow the velocity of the water, thereby allowing sediment to settle before reaching the lagoon.

The Buena Vista Lagoon is a state ecological reserve operated by the Department of Fish and Game. According to the conservancy, the lagoon is experiencing an extreme rate of sedimentation due to (1) the erosion of the Buena Vista Creek streambed from peak storm water flows and (2) the urbanization of the related watershed over the past 20 years.

In 1981, the state spent \$1 million to dredge the lagoon in order to preserve its wildlife habitat. To alleviate the need for expensive dredging in the future, the conservancy began (1) engineering and legal studies to determine the most cost effective way to control the erosion in the watershed and (2) drafting a model erosion control ordinance for adoption by the three cities (Vista, Oceanside, and Carlsbad) with jurisdiction in the watershed.

The second phase of the engineering study (funded by both the conservancy and the State Water Resources Control Board) recently was



completed. The study outlines a strategy of watershed modifications which are more cost-effective at controlling erosion than ongoing dredging of the lagoon.

The recommendations of this study outline nearly \$2 million worth of needed improvements. The "highest priority" improvements consist of:

Design and construction of 8 storm water detention basins	\$112,000
Acquisition of property for detention basins .....	750,000
Seven miles of creek floodplain enhancement .....	800,000
Sediment basins.....	17,400
Other sediment source control .....	40,000

Total .....\$1,719,400

Although the conservancy is requesting a total of \$912,000 in 1986-87 to begin making these improvements, a number of the commitments that must precede the enhancement work have not been secured from local governments and other state agencies.

For instance, the conservancy indicates that of the eight storm water basins to be funded with the \$112,000 requested from the ELPF, the land necessary for only two is owned by the public. The land needed for the other six basins still has to be acquired. The conservancy estimates that at least \$750,000 will have to be spent to acquire this land. The conservancy is relying on the Wildlife Conservation Board (WCB) to acquire these parcels. The WCB's list of potential acquisitions in 1986-87, however, makes no mention of these properties.

Furthermore, before the conservancy can begin the seven miles of creek floodplain enhancement (for which it is requesting \$800,000 in Item 3760-301-748), the cities of Vista, Oceanside, and Carlsbad must enact ordinances requiring the dedication of an easement on all newly developed land bordering the Buena Vista Creek that is sufficient to accommodate the reconfiguration of the creek as well as other enhancement measures. None of these cities have enacted such an ordinance as yet.

Moreover, the conservancy indicates that recent construction and development in Vista, Oceanside, and Carlsbad have been major causes of the increased sediment flowing into the lagoon. The conservancy, however, has not secured any commitment from these cities to contribute local funds to the enhancement projects.

Absent the commitments from local governments and other state agencies that are necessary to implement the Buena Vista Lagoon enhancement project, the conservancy's budget request is premature. Accordingly, we recommend that the Legislature reduce Item 3760-301-140 by \$112,000 to delete funds for the design and construction of eight storm water detention basins in the Buena Vista Creek. (We also recommend deletion of the \$800,000 requested in Item 3760-301-748, as discussed below.)

**(2) San Elijo Lagoon acquisition ..... \$800,000**

*We recommend that the Legislature delete \$800,000 requested from the Environmental License Plate Fund for the San Elijo Lagoon acquisition project because the conservancy can use available bond funds for this project if it chooses to do so. (Reduce Item 3760-301-140 by \$800,000.)*

The State Coastal Conservancy requests \$800,000 from the ELPF for a loan to San Diego County to cover the cost of acquiring land adjacent to San Elijo Lagoon in Holmwood Canyon. These funds would supplement

STATE COASTAL CONSERVANCY—CAPITAL OUTLAY—Continued

a \$1 million loan which the conservancy made to the county in 1985–86 using money in the Parklands (Bond) Fund of 1980. This loan is being used to purchase 14 acres of open space “uplands” adjacent to the San Elijo (State) Ecological Reserve.

The acquisition would provide an undisturbed buffer area between urban development and the state ecological reserve and allow public access for nature observation. It also would protect the adjacent lagoon from increased erosion and siltation by preventing development on the site.

Given the purpose of this appropriation, we believe that the Fish and Wildlife Habitat Enhancement (Bond) Fund of 1984 is a more appropriate funding source than the ELPF. Chapter 6, Statutes of 1984, makes a total of \$30 million available to the conservancy, of which \$20 million can be used for grants to “local public agencies in the coastal zone” for the acquisition and enhancement of “marshlands and adjacent lands for habitat for wildlife benefitted by a marsh or aquatic environment . . .”

The budget (Item 3760-301-748(1)) proposes an appropriation to the conservancy of \$8.8 million from these bond monies for resource enhancement projects. The conservancy has identified only one specific project (\$800,000) that would be funded with that appropriation. Accordingly, the conservancy could fund the San Elijo Lagoon project using these bond funds without displacing any other specific projects. Accordingly, we recommend that the Legislature delete the \$800,000 requested for the San Elijo Lagoon acquisition project.

STATE COASTAL CONSERVANCY FUND  
ITEM 3760-301-565

(1) Violation Remediation Projects ..... \$70,000  
*We recommend approval.*

The budget requests an appropriation of \$70,000 from money deposited in the Violation Remediation Account of the State Coastal Conservancy (Bond) Fund. This money represents the proceeds from fines imposed by the Coastal Commission for violations of the Coastal Act of 1976.

At present, \$70,000 has been deposited in the account. A memorandum of understanding between the Coastal Commission and the conservancy establishes the appropriate use of these funds. The request appears to be reasonable.

STATE COASTAL CONSERVANCY FUND OF 1984  
ITEM 3760-301-730

The State Coastal Conservancy requests \$17,000,000 in 1986–87 from the State Coastal Conservancy (Bond) Fund of 1984 for unidentified projects in five different program areas.

(1) Agricultural Land Preservation.....	\$1,500,000
(2) Coastal Restoration.....	4,500,000
(3) Public Access .....	4,500,000
(4) Site Reservation.....	2,000,000
(5) Urban Waterfront Restoration.....	4,500,000
Total .....	\$17,000,000

**Projects Not Identified**

*We make no recommendation on the \$17 million requested from the State Coastal Conservancy Fund of 1984 for various projects because the conservancy has not provided adequate information on the scope and cost of these projects.*

The California Park and Recreational Facilities (Bond) Act of 1984 (Ch 5/84) was approved by the voters in June 1984 as Proposition 18. This measure created the State Coastal Conservancy Fund of 1984 and provides a total of \$50 million from the fund for appropriation to the conservancy. This amount consists of (1) \$35 million for grants to local public agencies and nonprofit organizations for various purposes and (2) \$15 million for general conservancy programs (including support, local assistance, and capital outlay expenditures).

The budget for 1986-87 requests \$2,661,000 for support (we discuss this request in our analysis of the conservancy's support budget—please see page 492) and \$17 million for capital outlay or local assistance in Item 3760-301-730. Should this request be approved, a reserve of \$13,482,000 will remain in the fund for future appropriation to the conservancy.

It has been the Legislature's practice to grant the conservancy unusual budget flexibility. Following that practice, the budget does not identify (1) the specific projects that the conservancy proposes to fund, or (2) the expected cost of these projects. Although the conservancy has provided a list of *potential* projects in the five program areas listed above, it has not identified the costs of individual projects.

Without information on either the specific projects to be funded or the cost of each project, we have no basis for making a recommendation to the Legislature on this portion of the conservancy's capital outlay request.

**Window-on-the-Bay Funds No Longer Needed**

*We recommend that the Legislature revert \$3.5 million appropriated to the State Coastal Conservancy in 1985-86 for acquisition at Monterey State Beach (Window-on-the-Bay) because the Department of Parks and Recreation proposes to acquire the property directly in 1986-87. (Add Item 3760-495 to the Budget Bill.)*

Item 3760-301-730(1) of the 1985 Budget Act appropriates \$3.5 million from the State Coastal Conservancy (Bond) Fund of 1984 to acquire developed property adjacent to Monterey State Beach, in order to provide an open view of Monterey Bay and easier access to the beach (the Window-on-the-Bay project). The conservancy was to acquire the property with the understanding that the Department of Parks and Recreation (DPR) would reacquire the property from the conservancy in the near future. The conservancy has not spent any of the funds associated with this item, and indicates that the funds will not be spent in the current year.

The DPR is requesting \$3,165,000 from the Parklands (Bond) Fund of 1984 (Item 3790-301-722) to acquire this property directly from the current owners. Accordingly, we recommend that the Legislature revert the \$3.5 million appropriated from the State Coastal Conservancy (Bond) Fund of 1984 for this same acquisition by adding the following item to the Budget Bill:

3760-495—Reversion, State Coastal Conservancy. As of June 30, 1986, the unencumbered balance of the appropriation provided in Item 3760-301-730(1), Budget Act of 1985, shall revert to the unappropriated balance of the State Coastal Conservancy Fund of 1984.

**STATE COASTAL CONSERVANCY—CAPITAL OUTLAY—Continued**

(In our analysis of the DPR capital outlay request, we withhold recommendation on the request, pending receipt of additional information.)

**FISH AND WILDLIFE HABITAT ENHANCEMENT FUND OF 1984****ITEM 3760-301-748**

The State Coastal Conservancy requests \$9.8 million from the Fish and Wildlife Habitat Enhancement (Bond) Fund of 1984 for various potential projects in two program areas (\$9 million) and for one specific project (\$800,000).

- |                                |             |
|--------------------------------|-------------|
| (1) Resource Enhancement ..... | \$8,000,000 |
| (2) Site Reservation.....      | 1,000,000   |

**Projects Not Identified**

*We make no recommendation on the \$9 million requested from the Fish and Wildlife Habitat Enhancement Fund of 1984 for various projects because the conservancy has not provided adequate information on the scope and cost of these projects.*

The Fish and Wildlife Habitat Enhancement Act of 1984 (Ch 6/84) was approved by the voters in June 1984 as Proposition 19. This measure makes a total of \$30 million available for appropriation to the conservancy. This amount consists of (1) \$20 million for local assistance grants to fund the acquisition, enhancement, or development of marsh and adjacent lands for wildlife habitat purposes and (2) \$10 million for direct expenditure by the conservancy for the same purpose.

The budget for 1986-87 requests \$250,000 for support (we discuss this request in our analysis of the conservancy's support budget—please see page 492) and \$9.8 million for capital outlay or local assistance in Item 3760-301-748. Should the entire request be approved, a reserve of \$11.8 million will remain in the fund for appropriation to the conservancy.

It has been the Legislature's practice to grant the conservancy unusual budget flexibility. Following that practice, the budget does not identify (1) the specific projects the conservancy proposes to fund, or (2) the expected costs of these projects. Although the conservancy has provided a list of *potential* projects in the two program areas listed above, it has only provided detail on, and identified the costs of, one project—\$800,000 for the Buena Vista Lagoon (discussed below).

Without information on either the specific projects to be funded or the cost of each project, we have no basis for making a recommendation to the Legislature on \$9,000,000 of the conservancy's capital outlay request from the Fish and Wildlife Habitat Enhancement (Bond) Fund.

**(3) Buena Vista Lagoon ..... \$800,000**

*We recommend that the Legislature delete \$800,000 requested for the Buena Vista Lagoon enhancement project because the commitments needed for the project to proceed have not been secured. (Reduce Item 3760-301-748 by \$800,000).*

The conservancy requests \$800,000 in 1986-87 for seven miles of creek enhancement and erosion control in the Buena Vista Lagoon watershed. In addition, the budget requests \$112,000 in Item 3760-301-140 for the Buena Vista Lagoon project.

As we note in our analysis of Item 3760-301-140 (please see page 498), the conservancy has not secured the commitments from local govern-

ments and other state agencies that are needed to implement the Buena Vista Lagoon enhancement project. Consequently, we find that the conservancy's request for state funds is premature. Accordingly, we recommend that the Legislature reduce Item 3760-301-748 by \$800,000 in order to delete the funds which the conservancy has requested from the Fish and Wildlife Habitat Enhancement (Bond) Fund for the Buena Vista Lagoon enhancement project.

### Resources Agency

### DEPARTMENT OF PARKS AND RECREATION

Item 3790 from the General  
Fund and various funds

Budget p. R 118

Requested 1986-87 .....	\$157,039,000
Estimated 1985-86.....	210,666,000
Actual 1984-85 .....	139,055,000
Requested decrease \$53,627,000 (-25.5 percent)	
Total recommended reduction .....	1,162,000
Recommendation pending .....	3,888,000

#### 1986-87 FUNDING BY ITEM AND SOURCE

Item—Description	Fund	Amount
3790-001-001—Support	General	\$76,723,000
3790-001-036—Support	Special Account for Capital Outlay	3,000,000
3790-001-263—Support	Off-Highway Vehicle	7,742,000
3790-001-392—Support	State Parks and Recreation	38,600,000
3790-001-516—Support	Harbors and Watercraft Revolving	323,000
3790-001-890—Support	Federal Trust	(1,688,000)
3790-011-062—Revenue transfer for maintenance of park roads	Highway Users Tax Account, Transportation Tax	(1,500,000)
Reimbursements	—	7,718,000
Total, Support		\$134,106,000
3790-101-463—Local assistance grants	Roberti-Z'Berg-Harris Urban Open Space and Recreation Program Account, General	\$22,500,000
3790-101-721—Local assistance grants	1980 Parklands (Bond)	134,000
3790-101-722—Local assistance grants	1984 Parklands (Bond)	232,000
3790-101-742—Local assistance grants	1976 State, Urban, and Coastal Park (Bond)	67,000
Total, Local Assistance		\$22,933,000
Total Request		\$157,039,000

## DEPARTMENT OF PARKS AND RECREATION—Continued

## SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

Analysis  
page

1. *New Positions. Reduce Item 3790-001-001 by \$293,000 and Item 3790-001-263 by \$120,000.* Recommend deletion of \$413,000 and 9.2 new positions because delays in project completion have postponed the need for certain positions. Further recommend adoption of Budget Bill language (a) prohibiting the expenditure of funds for operation of Martin Ranch until the property is acquired, and (b) requiring that funds for staff and operating expenses be allocated in proportion to the time remaining in the fiscal year when the property actually is acquired. 510
2. *Manager/Supervisor Reduction.* Recommend that the department report at budget hearings on how it will meet its supervisory needs in 1986-87, including the supervision of non-state-park employees. 512
3. *New Positions.* Recommend that the department report at budget hearings on how it will pay the salaries and benefits of newly-established positions in 1986-87, which are budgeted at the 1984-85 salary levels. 513
4. *OHV Resource Protection Program. Reduce Item 3790-001-263 by \$515,000.* Recommend deletion of \$515,000 because the department has not documented the need for these funds. 515
5. *Telephone System for San Simeon Region. Reduce Item 3790-001-001 by \$26,000.* Recommend deletion because the department is unable to justify the amount requested for new telephone system. 515
6. *Radio Conversion. Reduce Item 3790-001-001 by \$52,000.* Recommend reduction in the amount requested for radio conversion because funds would be used to support ongoing telecommunication costs that are not associated with the conversion. 516
7. *Computerized Inventory and Design Systems.* Withhold recommendation on \$633,000 requested to acquire and implement an automated inventory system and a computer-aided drafting/design system, pending receipt of the department's (1) information system plan, and (2) feasibility study report for each of these projects. 516
8. *Deferred Maintenance.* Withhold recommendation on \$3,255,000 requested for deferred maintenance/special repairs, pending receipt of the department's report on (1) the level of funding necessary to support its deferred maintenance program, and (2) a plan for eliminating the current backlog of deferred maintenance. 518
9. *Property Management Program.* Recommend that the department report during budget hearings on when it will make large parcels at Lakes Earl and Talawa, Sonoma Coast, and Burleigh Murray Ranch open to the public. Further recommend adoption of supplemental report language to continue reporting requirements imposed by the 1985 supplemental report. 520

10. **Printing. Reduce Item 3790-001-001 by \$80,000.** Recommend reduction because the need for an augmentation to the publication section's printing budget has not been justified. 522
11. **Transaction Review. Reduce Item 3790-001-001 by \$30,000.** Recommend deletion of \$30,000 requested for an interagency agreement with the Department of General Services for transaction reviews because the department has not demonstrated the need for these funds. 522
12. **Technical Recommendations. Reduce Item 3790-001-001 by \$46,000.** Recommend reductions to eliminate overbudgeting. 523
13. **Concession Contracts.** Withhold recommendation on proposed concession contracts pending receipt and review of (1) the specific proposals and (2) the annual concessions statement. Recommend that prior to budget hearings, the department (1) submit two additional concession proposals to the Legislature for review and (2) report on the status of the concession proposal for the Sand and Sea Club property. 523

#### GENERAL PROGRAM STATEMENT

The Department of Parks and Recreation is responsible for acquiring, developing, preserving, interpreting, and managing the use of the outstanding natural, cultural, and recreational resources in the state park system and the State Vehicular Recreation Area and Trail System (SVRATS). New programs and projects for the state park system are undertaken with the advice or approval of the nine-member California State Park and Recreation Commission. The seven-member Off-Highway Motor Vehicle Recreation Commission is responsible for establishing general policies for the guidance of the department in the planning, development, operation, and administration of the SVRATS.

In addition, the department administers state and federal grants to cities, counties, and special districts that are intended to help provide parks and open-space areas throughout the state. In recent years, emphasis has been given to acquisition and development of local and regional parks in urban areas.

The state park system consists of 281 units, including 36 units administered by local and regional park agencies. These units contain approximately 1,370,000 acres of land with 244 miles of ocean and bay frontage and 675 miles of lake, reservoir, and river frontage. During 1986-87, more than 71 million visitations are anticipated at state parks and beaches operated by the department. In the same period, approximately 46 million visitations are anticipated at state parks and beaches operated by local and regional park agencies.

The SVRATS consists of approximately 81,000 acres in seven units. The department estimates that more than 2.6 million visitations to these units will occur during 1986-87.

In the current year, the department has 2,727 personnel-years of staff.

#### OVERVIEW OF THE BUDGET REQUEST

The budget proposes expenditures totaling \$134,106,000 from the General Fund, various other state funds, and reimbursements for support of the Department of Parks and Recreation in 1986-87. This is an increase of \$8,765,000, or 7.0 percent, above estimated current-year support costs.

**DEPARTMENT OF PARKS AND RECREATION—Continued**

The budget also proposes four appropriations totaling \$22,933,000 from various state funds for local assistance grants (and project review by the department) in 1986–87. Local assistance funding for the Roberti-Z'Berg-Harris Urban Open Space and Recreation Program accounts for \$22,500,000 of the request. The proposed amount represents a decrease of \$62,392,000 or 73 percent, from current-year expenditures for local assistance, as estimated in the budget.

**Drop in Local Assistance More Apparent Than Real.** The apparent decrease in local assistance funding is due to two factors. First, the budget assumes that all local assistance funds available in the current year will be spent before June 30, 1986. Based on historical expenditure patterns, this will not happen. Typically, more than 20 percent of the available grant funds have been carried over from one year to the next. (Grant funds are available for expenditure for three years following appropriation.) Consequently, a large balance of funds appropriated for the current year probably will be available for expenditure in the budget year.

Second, the budget does not request local assistance funds for (1) various grant programs authorized by the 1984 Park Bond Act (Ch 5/84), including \$25 million which the bond act *specifically* authorizes for appropriation in 1986–87, (2) local assistance grants and cooperative agreements to be funded from the Off-Highway Vehicle (OHV) Fund, (3) local assistance grants to be funded from federal Land and Water Conservation Act funds, and (4) a limited number of projects to be funded from the remaining 1980 Park Bond Act funds. According to the Department of Finance, the administration will request funds for the 1984 Bond, 1980 Bond, and OHV grant programs in a budget amendment letter. The administration also will authorize the expenditure of federal funds which will be available for local assistance grants in 1986–87 using the provisions of Control Section 28 as it has done in previous years.

During the past several years, it has been the department's practice to present a substantial amount of its local assistance request in a budget amendment letter during the spring. This practice leaves the Legislature with little time to evaluate the proposed grants and little opportunity to consider the department's overall needs for local assistance.

**Total Spending.** The budget proposes total expenditures for support and local assistance, including expenditures from the Federal Trust Fund, of \$158,727,000 in 1986–87. This is a decrease of \$60,732,000, or 28 percent, from estimated total expenditures in the current year. However, as we note above, the decrease reflects primarily how the budget displays local assistance, rather than a reduction in program activity of this amount.

Table 1 provides a summary of the department's total expenditures, by program, for 1984–85 through 1986–87.

The budget does not include additional funding for Merit Salary Adjustments or inflation adjustments to Operating Expenses and Equipment. We estimate that the department will have to absorb approximately \$2,584,000 in such costs. The department indicates it will fund Merit Salary Adjustments by holding open positions that have been justified on a workload basis.

**Major Program Changes**

Table 2 identifies, by funding source, the significant budget changes proposed by the department for 1986–87.



**Table 1**  
**Department of Parks and Recreation**  
**Summary of Expenditures and Funding Sources**  
**1984-85 through 1986-87**  
**(dollars in thousands)**

<i>Program</i>	<i>Personnel-Years</i>			<i>Expenditures</i>			<i>Percent</i>
	<i>Actual</i>	<i>Est.</i>	<i>Prop.</i>	<i>Actual</i>	<i>Est.</i>	<i>Prop.</i>	<i>Change</i>
	<i>1984-85</i>	<i>1985-86</i>	<i>1986-87</i>	<i>1984-85</i>	<i>1985-86</i>	<i>1986-87</i>	<i>From</i>
							<i>1985-86</i>
Statewide planning .....	19.2	19.9	19.9	\$977	\$1,356	\$1,105	-18.5%
Acquisition .....	24.2	23.3	24.3	1,163	1,304	1,343	3.0
Property management .....	—	—	—	1,000	850	850	—
Facilities development .....	69.7	75.5	75.5	3,834	4,857	5,090	4.8
Resources preservation and interpretation .....	79.2	79.6	82.1	4,333	4,915	5,252	6.9
Historic preservation .....	18.0	19.7	19.7	1,112	5,152	1,140	-77.9
Park system operations .....	2,264.7	2,203.7	2,258.2	92,296	106,052	112,709	6.3
Off-highway vehicle support ....	95.7	104.5	116.8	4,317	5,988	7,742	29.3
Off-highway vehicle local assistance .....	—	—	—	2,286	14,842	—	-100.0
Grants administration (non-off-highway vehicle) .....	21.2	24.1	24.1	1,170	1,220	1,294	6.1
Local assistance grants .....	—	—	—	32,961	72,923	22,202	-69.6
Departmental administration (distributed) .....	183.7	176.5	175.5	(12,396)	(15,498)	(16,343)	5.5
Totals .....	2,775.6	2,726.8	2,796.1	\$145,449	\$219,459	\$158,727	-27.7%
<i>Funding Source</i>							
General Fund .....				\$69,925	\$75,678	\$76,723	1.4%
State Parks and Recreation Fund .....				30,016	36,010	38,600	7.2
Environmental License Plate Fund .....				1,235	2,175	—	-100.0
Off-Highway Vehicle Fund .....				6,603	20,830	7,742	-62.8
Special Account for Capital Outlay .....				531	2,950	3,000	1.7
Bond Funds .....				26,425	65,403	433	-99.3
Harbors and Watercraft Revolving Fund .....				297	313	323	3.2
Roberti-Z'berg-Harris Urban Open Space and Recreation Program Account .....				—	—	22,500	NMF
Other state funds .....				2	—	—	—
Federal funds .....				6,394	8,793	1,688	-80.8
Reimbursements .....				4,021	7,307	7,718	5.6

NMF = not a meaningful figure

## DEPARTMENT OF PARKS AND RECREATION—Continued

**Table 2**  
**Department of Parks and Recreation**  
**Proposed Budget Changes by Fund**  
**1986-87**  
**(dollars in thousands)**

	<i>General Fund</i>	<i>Off-Highway Vehicle Fund</i>	<i>State Parks and Recreation Fund</i>	<i>Various Park Bond Funds</i>	<i>Various Other Funds<sup>a</sup></i>	<i>Reimburse- ments</i>	<i>Federal Trust Fund</i>	<i>Total</i>
1985-86 Expenditures (revised) .....	\$75,678	\$20,830	\$36,010	\$65,403	\$5,438 <sup>b</sup>	\$7,307	\$8,793	\$219,459
Proposed Changes:								
1. Cost Adjustments								
A. Salary and benefit increase.....	3,195	252	1,393	—	10 <sup>c</sup>	271	66	5,187
B. One-time costs in 1985-86.....	-1,520	-464	—	—	-25 <sup>d</sup>	6	—	-2,003
C. One-time costs of Fair Labor Standards Act in 1985-86 .....	-287	—	-123	—	—	—	—	-410
D. Miscellaneous adjustments .....	-274	—	—	—	-20 <sup>e</sup>	—	—	-294
2. Workload and Administrative Adjustments								
A. Staff and operating expenses for new facilities (47.8 PY) .....	2,060	1,120	—	—	—	—	—	3,180
B. Property management program (1 PY)	27	—	—	—	—	—	—	27
C. Hearst Castle additional tours (10 PY) ..	—	—	264	—	—	—	—	264
D. Natural Heritage Stewardship (2.5 PY)	—	—	—	—	—	94	—	94
3. Program Changes								
A. Radio equipment conversions .....	930	—	—	—	—	—	—	930
B. Automated inventory and design systems	633	—	—	—	—	—	—	633
C. OHV equipment and maintenance (1 PY) .....	—	231	—	—	—	—	—	231
D. Remedy health/safety problems (5.4 PY) .....	227	—	—	—	—	—	—	227
E. Publications augmentation .....	80	—	—	—	—	—	—	80
F. Capitol Museum contract .....	140	—	—	—	—	—	—	140
G. Manager/Supervisor reduction (-6 PY)	-222	—	—	—	—	—	—	-222

H. American River Dist. kiosk staffing (3.4 PY) .....	—	—	56	—	—	—	—	56
I. OHV resource protection program .....	—	515	—	—	—	—	—	515
J. Local assistance grants .....	—	-14,842	—	-64,732	17,122 <sup>f</sup>	—	-7,171	-69,623
K. Local assistance grants administration....	—	—	—	-238	298 <sup>g</sup>	—	—	60
L. One-time funding shift for base support from General Fund to special funds .....	-4,000	—	1,000	—	3,000 <sup>h</sup>	—	—	—
M. Miscellaneous.....	56	100	—	—	—	40	—	196
1986-87 Expenditures (proposed) .....	\$76,723	\$7,742	\$38,600	\$433	\$25,823	\$7,718	\$1,688	\$158,727
Change from 1985-86								
Amount .....	\$1,045	-\$13,088	\$2,590	-\$64,970	\$20,385	\$411	-\$7,105	-\$60,732
Percent .....	1.4%	-62.8%	7.2%	-99.3%	374.9%	5.6%	-80.8%	-27.7%

<sup>a</sup> Special Account for Capital Outlay (SAFCO), Environmental License Plate Fund (ELPF), Energy and Resources Fund (ERF), Harbors and Watercraft Revolving Fund (HWRF), and the Roberti-Z'berg-Harris Urban Open Space and Recreation Account (RZIA).

<sup>b</sup> SAFCO (\$2,950,000), ELPF (\$2,175,000), HWRF (\$313,000).

<sup>c</sup> HWRF.

<sup>d</sup> ELPF.

<sup>e</sup> ELPF.

<sup>f</sup> RZIA (\$22,202,000), SAFCO (-\$2,950,000), ELPF (-\$2,130,000).

<sup>g</sup> RZIA.

<sup>h</sup> SAFCO.

## DEPARTMENT OF PARKS AND RECREATION—Continued

### ANALYSIS AND RECOMMENDATIONS

We recommend approval of the following proposed program changes shown in Table 2, which are not discussed elsewhere in this analysis:

- An increase of \$264,000 from the State Parks and Recreation Fund and 10 personnel-years (PYs) to staff and operate additional tours at Hearst Castle State Historical Monument.
- An increase of \$94,000 from internal reimbursements to support the addition of 2.5 PYs for the first year of a three-year program to oversee the Natural Heritage Stewardship Program.
- Increases totaling \$227,000 from the General Fund and 5.4 PYs to remedy health and safety problems. The funds would be used to provide (1) 24-hour patrols at Seabright and Twin Lakes State Beaches (\$74,000 and 2.4 PYs) and (2) additional staffing of water and wastewater treatment plants in the Pajaro District, especially at Big Basin Redwood State Park (\$153,000 and 3.0 PYs).
- An increase of \$140,000 from the General Fund for new equipment, maintenance and staff salary and benefit increases associated with the State Capitol Museum.
- An increase of \$56,000 from the State Parks and Recreation Fund and 3.4 PYs to increase staffing at entrance kiosks in the American River District.

#### **Delays in Projects Postpone the Need for New Staff**

*We recommend reductions totaling \$413,000 from the General Fund and the Off-Highway Vehicle Fund and the deletion of 9.2 new positions and associated operating expenses and equipment because delays in the completion of certain development projects have postponed the need for these funds and positions. (Reduce Item 3790-001-001 by \$293,000 and Item 3790-001-263 by \$120,000).*

*We further recommend that the Legislature adopt Budget Bill language (1) prohibiting the expenditure of funds for operation of Martin Ranch until the property is acquired and (2) requiring the Director of Finance to allocate funds for staff and operating expenses in proportion to the time remaining in the fiscal year when the property is acquired.*

The budget proposes an additional \$3,180,000 from the General Fund (\$2,060,000) and the Off-Highway Vehicle (OHV) Fund (\$1,120,000) along with 47.8 personnel-years in 1986–87 to (1) operate new day use and camping facilities, and (2) patrol and maintain new acquisitions. The ongoing cost of staffing these properties will be approximately \$3,033,000 and 66.6 personnel-years. The reduction in cost reflects the fact that the request for 1986–87 includes funds for one-time equipment expenditures. The increase in personnel-years is because some of the new positions will be phased in during the budget year.

#### **Development of New Facilities Delayed**

The department is requesting \$544,000 and 12 personnel-years in 1986–87 to staff and operate new facilities at seven park units where delays in the development of the new facilities will postpone the need for those positions. Accordingly, changes in the level of staffing and operating expenses budgeted for the following units are warranted. (In instances where a project will still be completed during 1986–87, but later than when the budget anticipated, we have recommended that funds for one-time equipment costs still be provided.)

**Half Moon Bay State Beach.** The budget requests \$85,000 from the General Fund and 1.8 personnel-years to staff and operate new facilities

at Venice Beach, beginning in January 1987. The department currently estimates, however, that the project will not be completed until August 1987. Accordingly, we recommend deletion of the \$85,000 and 1.8 personnel-years of staff.

**Hollister Hills State Vehicular Recreation Area.** The budget requests \$120,000 from the OHV Fund and 1.3 personnel-years to staff and operate new facilities at Hollister Hills beginning July 1, 1986. According to the department, however, the project will not be completed until July 1987. We therefore recommend deletion of the \$120,000 and 1.3 personnel-years of staff.

**Hearst San Simeon State Historical Monument.** The budget requests \$56,000 from the General Fund and 2.7 personnel-years to staff and operate a new visitor's center at Hearst Castle, beginning in May 1987. Based on information provided by the department, however, the new visitors center will not be completed until September 1987. Accordingly, we recommend deletion of the \$56,000 and 2.7 personnel-years of staff.

**San Simeon State Beach.** The budget requests \$64,000 from the General Fund and 1.0 personnel-year to staff and operate a new campground and day-use area at San Simeon State Beach. The new campground was completed in 1984-85. The department has not yet requested staff for the new campground because the second phase of development at San Simeon involves rehabilitation of the existing campground as well as construction of the new day use area. While the old campground is closed for rehabilitation, the department is simply redirecting staff from the old to the new campground. The department indicates that the second phase of development will not be completed until sometime in June 1987. Therefore, the department will be able to continue redirecting staff to the new campground and will not require staff for the new day use area until July 1987. Accordingly, we recommend deletion of the \$64,000 and 1.0 personnel-year requested in the budget to staff and operate the new campground and day use area in 1986-87.

**Año Nuevo State Reserve.** The budget requests \$124,000 and 2.3 personnel-years to staff and operate new facilities, beginning in July 1986. According to the department, however, the new facilities will not be completed until the end of the 1986 calendar year. We therefore recommend a reduction of 1.1 personnel-years and \$47,000 in the amount requested to staff and operate the new facilities. This recommendation would provide sufficient funds for personnel and operating expenses, beginning in January 1987.

**Governor's Mansion State Historic Park.** The budget requests \$27,000 and 0.9 personnel-years to accommodate longer tours and provide maintenance required by renovation of the mansion, beginning in September 1986. This renovation will allow the public access to the third floor and cupola of the mansion, which currently are closed due to unsafe conditions. The department currently estimates, however, that the renovation will not be completed until March 1987. Accordingly we recommend a reduction of \$15,000 and 0.5 personnel-years.

**Indian Grinding Rock State Historic Park.** The budget requests \$68,000 and 2.0 personnel-years to staff and operate a new Regional Indian Museum and new entrance station and parking lot. The request assumes completion of the entrance station and parking lot by the end of the current year, and completion of the Indian Museum in October 1986. According to the department, however, these projects will not be completed until the end of the 1986 calendar year. We therefore recommend a reduction of 0.8 personnel-years and \$27,000 of the amount requested to staff and operate these facilities.

**DEPARTMENT OF PARKS AND RECREATION—Continued**

In accordance with the above recommendations, we recommend that the Legislature delete \$416,000 from Item 3790-001-001 (\$296,000) and Item 3790-001-263 (\$120,000) and 9.2 personnel-years of staff.

**Acquisition of Martin Ranch May be Delayed.** The budget requests \$1 million from the Off-Highway Vehicle (OHV) Fund and 10.0 personnel-years for the first year of operations at the Martin Ranch Off-Highway Vehicle project. Of this amount, \$560,000 is for equipment purchases and other one-time costs, and \$440,000 is for staff and ongoing operating expenses. Acquisition of this property was funded in the 1985 Budget Act. The request assumes that the department will acquire the property by July 1, 1986.

The amounts requested for staff and operating expenses are reasonable, assuming the property is acquired before July 1986. Given delays in acquiring the property during the current year, however, we question whether the department will be able to complete acquisition before July 1986. If the property is not acquired before the start of 1986-87, the department should not be authorized to spend the full amount requested.

We, therefore, recommend that the expenditure of the entire amount appropriated for operation of the Martin Ranch be made contingent on the acquisition of the property by the department. We also recommend that the \$440,000 requested for staff and operating expenses be prorated, based on the number of months remaining in the fiscal year when the property is acquired. To accomplish these actions we recommend that the Legislature adopt the following Budget Bill language in Item 3790-001-263:

“\$1,000,000 appropriated in this item is for operation of the Martin Ranch Off-Highway Vehicle project. None of these funds shall be available for expenditure until the Martin Ranch property is acquired, provided further that \$440,000 of the amount shall be allocated by the Director of Finance based on the number of months remaining in the fiscal year at the time the Martin Ranch property is acquired.”

**Cut in Supervisors Does Not Account for Nonpark Employees**

*We recommend that the department advise the Legislature how it will meet its supervisory needs in 1986-87, including the supervision of non-state-park employees.*

The budget requests the elimination of 6 manager/supervisor positions in 1986-87, for a savings of \$222,000 to the General Fund.

Over the past several years, the administration has reduced the number of line staff in the department. Specifically, the number of personnel-years of field staff employed in the department's Operations Division has declined from 2,518 in 1981-82 to an estimated 2,204 in the current year. According to the department, the reduction in supervisory staff is being proposed to return the department's supervisor-to-staff ratio to previously established levels.

While the department has eliminated a number of staff positions in recent years, the number of non-state-park employees working in state parks has increased. In the current year, for example, 29 personnel-years of seasonal staff at various park units were replaced with 131 members of the California Conservation Corps. If anything, this exchange of departmental staff for corpsmembers increases, rather than decreases, the need for supervision. The department indicates that it also has increased its use of volunteers and inmate labor over the past several years.

Calculating the need for supervisory staff based only on the number of state park employees in 1986-87 could result in the elimination of staff

needed to supervise people who work in the parks but are not regular state employees. We understand that the department did *not* take volunteer labor into account when determining the level of supervision that will be required in 1986-87. Therefore, the number of manager/supervisor positions that the department is proposing to eliminate in 1986-87 may be inappropriate.

We recommend that the department report at budget hearings on its experience with non-state-park employees and on how it will meet its total supervisory needs in 1986-87.

#### **New Positions Budgeted at 1984-85 Level**

*We recommend that the department report at budget hearings on how it will pay the salaries and benefits of newly-established positions in 1986-87, given that funding for these positions has been budgeted at the 1984-85 salary level.*

The budget requests an increase of 97.1 personnel-years for the department in 1986-87. In calculating the level of funding needed for salaries and benefits for these 97.1 new personnel-years, the department used the salary ranges which were in effect in 1984-85. Hence, the budget does not include sufficient funds to pay the salaries and wages of the new positions in 1986-87. We estimate that the shortfall is approximately \$275,000.

This deficiency, however, may be offset partially by other budgeting errors. As noted above, the budget also proposes the elimination of six personnel-years of manager/supervisor staff. In calculating the savings that will result from the elimination of these six positions in 1986-87, the department used (1) the 1984-85 salary ranges and (2) the first step of the salary ranges. As a result, the savings related to this proposal are understated. We estimate that the savings are about \$40,000.

Therefore, the net deficiency for salaries and benefits in 1986-87 is about \$235,000. Elsewhere in this analysis, we recommend reductions in the number of personnel requested by the department. To the extent these recommendations are adopted, the funding deficiency would be less.

We recommend that the department report during budget hearings on how it will pay the salaries and benefits of newly-established positions in 1986-87, given that the budget does not include sufficient funds to do so.

#### **Future Staffing Needs**

Each year the department requests staff for newly completed developments or newly acquired lands funded by the Legislature in previous years.

When it requests funds to develop park facilities, the department provides an estimate of the personnel that will be required to staff the facilities. The department, however, does not have staffing standards for the various types of park units, nor does it compile a comprehensive staffing estimate based on all of its planned development and acquisition projects. The department's lack of staffing standards makes it difficult to evaluate its staffing requests or to estimate what future staffing levels will be. (For a detailed discussion of the need for staffing and workload standards for the department, please see page 531 of the *Analysis of the 1985-86 Budget Bill*.)

We believe that an estimate of the department's future long-term staffing needs would be helpful to the Legislature. Such information would enable the Legislature to make decisions regarding the funding of particular development and acquisition projects in the context of overall increases in staffing that would be required if all planned development and acquisitions are funded.

**DEPARTMENT OF PARKS AND RECREATION—Continued**

**Estimated Staffing Needs.** We have attempted to develop a *range* of what the department's future staffing needs are likely to be, so that the Legislature will have a rough idea what staffing augmentations are in the pipeline. Our estimates are based on the number of personnel-years which the department has requested in 1985-86 and 1986-87 to staff recent acquisitions and developments. For each project, we calculated the ratio of staff requested to the amount spent on the acquisition or development. We applied the average ratio to the amounts which the department plans to spend for acquisitions and new development projects over the next five years based on its preliminary multi-year capital outlay program (MYCOP). We assumed that staff for acquisitions would be requested in the fiscal year following the year funds were provided for acquisition. For development projects, we assumed that staffing would not be requested until two years after the project is funded.

Chart 1 shows the range of additional staff that would be required to operate all of the new acquisitions and facilities included in the MYCOP. It provides an average, high, and low estimate of long-term staffing trends through 1991-92. (Average, high, and low staffing ratios are based on staff requested for prior acquisition or development projects, excluding extreme staffing ratios which were evident in approximately 25 percent of the cases.)

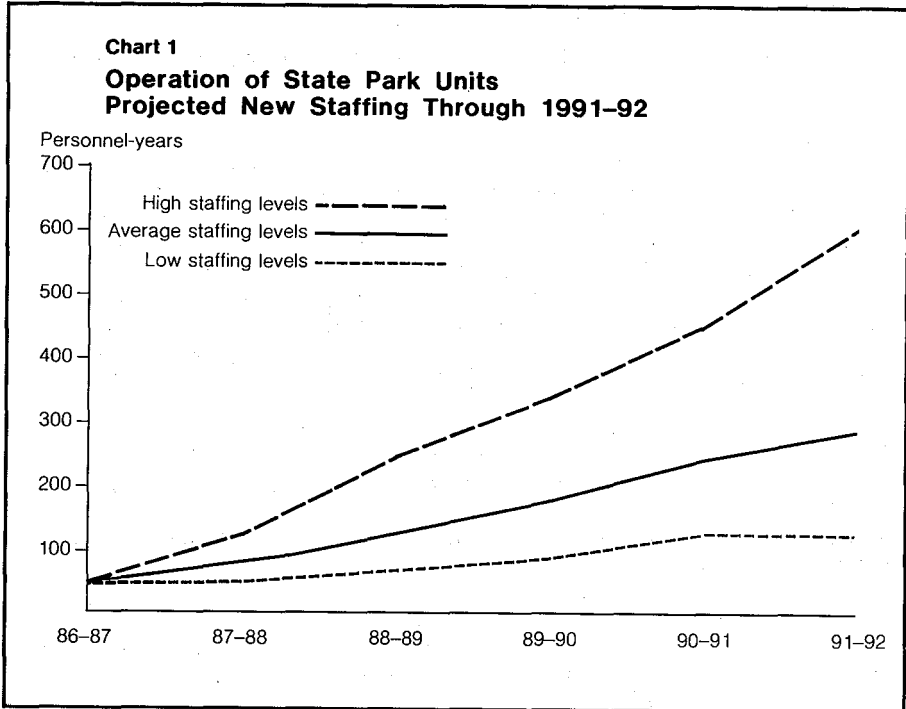
Using the *average* ratio of staff to acquisition or development dollars spent, we estimate that the department will require 290 additional personnel-years of staff by 1991-92 to operate new facilities and acquisitions. We further estimate that in 1991-92, the ongoing salaries and operating expenses associated with these new positions will be \$13 million (at 1986-87 price levels). This would be an increase of 10 percent over the amount of funds requested for the department's Operations and Off-Highway Vehicle Divisions in 1986-87.

This estimate may be somewhat low for the following reasons:

- The projected need for staff in 1991-92 does not include staff required for acquisitions which may be funded in 1990-91 because the MYCOP extends only through 1989-90.
- Our estimates did not include projects to rehabilitate existing facilities. Similar projects have sometimes required additional staff in the past.
- We have not included the increased number of administrative staff that would be required to support the increasing number of staff in the field.

Of course, actual staffing needs could vary significantly from the average estimate, depending on the types of projects funded, individual staffing decisions, and the availability of funds for capital outlay projects. Taking into account only the variability in individual staffing decisions, we estimate that new staffing needs in 1991-92 could be as high as 605 personnel-years or as low as 135 personnel-years.





#### **No Plan for OHV Resource Protection Program**

*We recommend that the Legislature delete \$515,000 requested from the Off-Highway Vehicle Fund to implement a resource protection program in the Off-Highway Motor Vehicle Division, because the department has not provided specific information on how the program would be implemented. (Reduce Item 3790-001-263 by \$515,000).*

The budget requests \$515,000 from the Off-Highway Vehicle Fund to implement a new ongoing resource protection program at State Vehicular Recreation Areas. Information submitted with the budget indicates that the program would include volunteer resource management patrols, volunteer resource management projects, environmental awareness education for OHV-users, resource evaluations, and controlled burning. Staff advise us, however, that the department is still in the process of deciding what specific elements actually will be included in the program. Therefore, the department is unable to describe specifically how funds requested for the program would be used and cannot provide a basis for the amount requested.

Until the department can present the Legislature with a specific program for OHV resource protection, we have no basis for evaluating either the proposal itself or the level of funding requested. Accordingly, we recommend that the Legislature reduce Item 3790-001-263 by \$515,000.

#### **Expenditure for New Telephone System Unjustified**

*We recommend that the Legislature delete \$26,000 requested from the General Fund for a new telephone system because the department is unable to document the amount which would be needed for the system. (Reduce Item 3790-001-001 by \$26,000).*

**DEPARTMENT OF PARKS AND RECREATION—Continued**

The budget requests \$26,000 from the General Fund for a new telephone system in the San Simeon Region. The department indicates that the existing system was not designed to handle the volume of phone calls that the region receives.

We agree that the region's present telephone system does not meet its needs. However, our review of the proposal indicates that the department has not researched or evaluated its options. As a result, the department does not yet know what type of a system it wants to purchase nor does it have a reliable cost estimate. Without this information, we have no basis for determining if the proposed level of funding is appropriate or not.

We therefore recommend a reduction of \$26,000 in the amount requested from Item 3790-001-001 because the department is unable to document the amount which would be needed for the new telephone system.

**Augmentation of Ongoing Telecommunications Program Unjustified**

*We recommend that the Legislature reduce by \$52,000 the amount budgeted from the General Fund for conversion of radio equipment because this amount would be used to support ongoing telecommunications activities that are not associated with the conversion. (Reduce Item 3790-001-001 by \$52,000).*

The budget requests \$930,000 from the General Fund for the sixth year of a nine-year program to convert the department's radio system to a higher frequency band in order to provide more communications channels. The funds would be used to extend the radio conversion to the Northern Region in 1986-87.

In the current year, the department received an augmentation of \$1,632,000 from the General Fund to continue the conversion program. Under a timetable imposed by the Federal Communications Commission (FCC), the department must complete the statewide conversion of its radio equipment by November 1990, or face revocation of the new radio frequencies allocated to it by the FCC.

Of the \$930,000 requested in the budget, \$878,000 is for costs directly associated with the conversion and is consistent with what the department maintained would be needed in 1986-87 when it presented its proposal to the Legislature last year. The remaining \$52,000, however, is for *ongoing* communications costs which the department is now paying and will continue to pay regardless of the conversion. Thus, this portion of the request constitutes a \$52,000 augmentation to the department's normal operating expense budget.

The department has not provided any information justifying a \$52,000 increase to its normal operating expense budget. Accordingly, we recommend that the Legislature reduce Item 3790-001-001 by this amount.

**Computerized Inventory and Design Systems**

*We withhold recommendation on \$633,000 requested from the General Fund to acquire and implement (1) an automated inventory system (\$496,000), and (2) a computer-aided drafting/design (CADD) system (\$137,000), pending completion by the department of an information system plan and a feasibility study report for each of these projects.*

The budget requests \$633,000 from the General Fund for two automation projects in 1986-87. Of this amount, \$496,000 is requested for the purchase of microcomputers and the implementation of an automated

system of equipment, facility and supply inventories, and \$137,000 is requested for the purchase of a computer-aided drafting/design (CADD) system.

**Automated Inventory System.** The \$496,000 requested for an automated inventory system would be used to (1) purchase microcomputers for each district and regional office, as well as for selected headquarters staff (\$324,000), (2) provide staff training and software development (\$132,000), (3) pay increased telephone costs (\$22,000), and (4) provide for increased equipment operating expenses (\$18,000). This request would fund the first phase of an overall automation plan which the department anticipates will take three to five years to implement.

We agree there is a need to improve the department's current manual system of tracking equipment and supplies. The department, however, has not provided sufficient information to permit evaluation of this particular proposal.

Furthermore, this system must be evaluated in the context of the department's overall automation plan. The department, however, does not have an accepted information systems plan (ISP). Although it submitted an ISP to the Department of Finance's Office of Information Technology (OIT) in September 1985, OIT rejected the ISP and directed the department to develop a more detailed plan. This plan should be completed in February 1986.

In addition, the department must complete a feasibility study report (FSR) on the automated inventory system by April 1986. One element of the report will be an evaluation of alternative means for implementing an automated inventory system. According to OIT, this discussion of system alternatives may lead to the implementation of a system which is completely different from the one being proposed in the budget. Until these alternatives are evaluated, there is no basis for determining whether the funding proposed in the budget is appropriate.

**Computer-Aided Drafting/Design System.** The budget also requests \$137,000 for a computer-aided drafting/design (CADD) system in order to meet projected workload in the Graphic Services Unit of the department. This unit provides the department with numerous drafting and graphic products, including engineering drawings, ownership maps, resource inventory maps, archeology site maps, general plan maps and sewer, water, and electrical layouts. The department estimates that the unit would need five additional personnel-years to meet its projected workload in 1986-87. The department's objective in purchasing the CADD system is to increase productivity of existing staff in order to better meet projected workload.

According to the OIT, the department was scheduled to submit an FSR on the CADD system in February 1986. As with the automated inventory system, this FSR should evaluate alternatives and provide a specific basis for determining the alternative means of meeting projected workload and staffing needs with and without a CADD system. The FSR should provide a basis to determine the equipment and staff needs of the Graphic Services Unit.

Accordingly, we withhold recommendation on \$633,000 requested from the General Fund for the acquisition and implementation of (1) an automated inventory system, and (2) a computer-aided drafting/design (CADD) system, pending completion and review of an information systems plan and the feasibility study reports.

**DEPARTMENT OF PARKS AND RECREATION—Continued****Amount Requested for Deferred Maintenance Is Not Justified**

*We withhold recommendation on \$3,255,000 requested from the General Fund for deferred maintenance/special repairs pending receipt and review of (1) the department's report on the amount of funds necessary in 1986-87 to support the department's deferred maintenance program, and (2) a plan for eliminating the current backlog of deferred maintenance.*

In the current year, the department received an augmentation of \$1.4 million to its deferred maintenance budget, making a total of \$3.3 million available from the General Fund for this purpose. The current-year augmentation was requested by the department to address part of an apparent growing backlog of deferred maintenance and special projects that had developed in recent years due to a freeze in the use of contract funds and other budgetary restrictions.

In requesting the augmentation for 1985-86, the department was unable to provide the Legislature with specific information on the overall size of the deferred maintenance backlog, the cost of eliminating the backlog, or a timetable for doing so. In order to assure that this information would be available in the future, the Legislature adopted language in the *Supplemental Report of the 1985 Budget Act* requiring the department to submit a multi-year deferred maintenance/special repairs plan with its 1986-87 proposed budget. The language specified that the plan must include a schedule for eliminating any existing backlog, and must identify the ongoing deferred maintenance/special repairs needs of the department.

At the time this analysis was prepared, the department had not submitted the required plan. Without the information contained in this plan, we are not able to evaluate either the need for the 3.3 million requested in the budget or what effect this expenditure would have on the department's backlog of deferred maintenance projects.

Accordingly, we withhold recommendation on the \$3,255,000 requested for deferred maintenance/special repairs, pending receipt of (1) the department's report on the amount of funds necessary in 1986-87 to support the department's deferred maintenance program, and (2) a plan for eliminating the current backlog of deferred maintenance/special repairs.

**Local Grants Underfunded—Roberti-Z'berg-Harris Program**

Under the Roberti-Z'berg-Harris Urban Open Space and Recreation program, the department provides grants to cities, counties, and local park districts for acquisition, development, operation, and maintenance of parks and open space. Chapter 1748, Statutes of 1984, which made various changes to the Roberti-Z'berg-Harris grant program, requires that, beginning in 1986-87, an amount equal to \$1.50 times the state's population shall be transferred from the Special Account for Capital Outlay (SAFCO) to the Roberti-Z'berg-Harris (RZH) program account. These funds are to be made available for grants and project review by the department, upon appropriation by the Legislature in the annual budget act.

Based on the formula contained in Chapter 1748, \$39.4 million should be transferred from SAFCO to the RZH account in 1986-87. Section 11.50(e) of the Budget Bill, however, reduces the 1986-87 transfer to \$22.5 million—57 percent of the statutorily required amount.

In signing Chapter 1748, the Governor stated that the level of funding

for the program should be reviewed annually and he indicated that subsequent budgets might propose a lower level of funding for the program than that required by the bill, in order to make funds available for higher priority needs of the state. The budget, in effect, redirects \$16.9 million from the Roberti-Z'berg-Harris program to other uses.

The Roberti-Z'berg-Harris program is one of several local assistance programs that the department will administer in 1986-87. As discussed earlier in the Overview of the Budget Request, additional funds will be available from (1) appropriations for three other programs which will be requested in a budget amendment letter, (2) the reappropriation of unspent local assistance funds available in the current year, and (3) federal funds that will be made available to the department in 1986-87.

We anticipate that the department will request at least \$25 million more for local assistance grants than the amount proposed in the budget, because the Park Bond Act of 1984 (Ch 5/84) designates this amount of bond funds for expenditure in 1986-87. This would bring total proposed expenditures for local assistance grants up to at least \$47 million in 1986-87. The total will grow by the amounts requested for the other programs in 1986-87.

Table 3 displays actual, estimated and proposed expenditures for local assistance grants between 1982-83 and 1986-87. If the \$25 million from the 1984 Parklands Bond Fund is added to the 1986-87 amount, the level of expenditures proposed in the budget year (\$47 million) would be 30 percent higher than the actual amounts spent between 1982-83 and 1984-85. While this amount would fall well short of the expenditures estimated for 1985-86, the current year estimate is unrealistically high. Some of the funds available in the current year will not be spent and will be carried over or reappropriated in 1986-87. The table also shows that the level of funding proposed for the Roberti-Z'berg-Harris Urban Open Space and Recreation Program in 1986-87 is comparable to the level of funding that was provided in 1984-85 and 1985-86.

**Table 3**  
**Department of Parks and Recreation**  
**Local Assistance Expenditures by Fund**  
**1982-83 through 1986-87**  
**(dollars in thousands)**

<i>Fund</i>	<i>Actual</i> 1982-83	<i>Actual</i> 1983-84	<i>Actual</i> 1984-85	<i>Est.</i> 1985-86	<i>Prop.</i> 1986-87
Special Account for Capital Outlay.....	—	—	\$531	\$2,950	—
Environmental License Plate Fund .....	555	548	1,235	2,130	—
Off-Highway Vehicle Fund .....	2,882	5,273	2,286	14,842	—
Various Bond Funds .....	24,466	12,429	26,068	64,732	—
Other State Funds .....	6,067	2,269	—	—	—
Federal Trust Fund .....	3,343	15,016	5,559	7,171	—
Roberti-Z'berg-Harris Urban Open Space and Recreation Program Account.....	(6,146) <sup>a</sup>	(2,269) <sup>b</sup>	(22,509) <sup>c</sup>	(22,275) <sup>d</sup>	\$22,202
<b>Total <sup>c</sup></b> .....	<b>\$37,313</b>	<b>\$35,535</b>	<b>35,679</b>	<b>\$91,825</b>	<b>\$22,202</b>

<sup>a</sup> \$6,146,000 from the Energy and Resources Fund for Urban Open Space and Recreation included under other state funds.

<sup>b</sup> \$2,269,000 from the Energy and Resources Fund for Urban Open Space and Recreation included under other state funds.

<sup>c</sup> \$22,509,000 from the Parklands Funds of 1980 and 1984 for Urban Open Space and Recreation included under various bond funds.

<sup>d</sup> \$22,275,000 from the Parklands Fund of 1984 for Urban Open Space and Recreation included under various bond funds.

<sup>e</sup> Does not include departmental administrative costs.

**DEPARTMENT OF PARKS AND RECREATION—Continued****Progress on Property Management Program**

*We recommend that the department report during budget hearings on when it will open to public use large parcels at Lakes Earl and Talawa, Sonoma Coast, and Burleigh Murray Ranch. We further recommend that the Legislature adopt supplemental report language to continue reporting requirements imposed on the department by the Supplemental Report of the 1985 Budget Act.*

When property is acquired for the state park system, the Department of General Services (DGS) initially manages the property and then transfers it to the Department of Parks and Recreation (DPR). In the past, many park properties stayed with the DGS indefinitely. At the end of 1982–83, approximately 85,000 acres of properties acquired for the state park system over a 15-year period remained under the jurisdiction of the DGS and were unavailable for public use. These lands often were leased by the DGS for nonpark activities.

To remedy this situation, the Legislature enacted Ch 752/82 and Ch 439/83, which mandate the transfer of state park properties from the DGS to the DPR in a timely manner. The legislation also requires DPR to request sufficient funds in its budget to operate and maintain the transferred properties.

The budget requests \$850,000 from the State Parks and Recreation Fund for the direct costs of managing these properties on an interim basis in 1986–87. (Direct costs do not include salaries and operating expenses associated with departmental staff.) This amount is the same as what the budget indicates will be spent on these activities in the current year.

***Department's Progress in Increasing Public Access.*** As of September 30, 1985, only 4,086 acres of land acquired for park use were under the jurisdiction of the DGS. These properties generally were newly-acquired lands. An additional 58,206 acres had been transferred to the department, but were not yet open for public use. While the total unopened acreage (62,292 acres) is significant, it is 27 percent less than what had not been opened for public use in 1982–83.

The department also has been acquiring new properties for incorporation into the state park system. By far the largest acquisition in recent years is 34,800 acres at Henry Coe State Park. This property is not yet open to the public, but the department is planning to spend \$2.4 million, beginning in the current year, to develop facilities at the park and provide access to the new acquisition.

***Status of Specific Properties.*** In the *Supplemental Reports of the 1983 and 1984 Budget Acts*, the Legislature identified specific properties that it expected the department to open for public use within the year. The current status of these properties is as follows:

***Anderson Marsh, Garrapata Beach, Chino Hills.*** The properties at Anderson Marsh and Garrapata Beach are now open. Chino Hills also is open and the department is planning to request \$2 million to develop facilities at this park in 1987–88 and 1988–89.

***Wilder Ranch.*** Approximately 4,295 acres of the 5,877 acres at Wilder Ranch will remain subject to agricultural leases until 1990. The department began providing limited services to the public in the current year,

when it redirected a ranger and a maintenance worker to staff the unit. The department is requesting \$73,000 and 2.1 personnel-years to provide initial staffing and operating expenses for coastal access at Wilder Ranch in 1986-87 and has planned almost \$4.5 million in development projects between 1985-86 and 1987-88.

**Leland Stanford Home.** In acting on the 1985 Budget Bill, the Legislature authorized the extension of the existing lease at Leland Stanford Home until the end of 1986-87. The department is planning to request \$2 million to restore the home in 1987-88.

**Mount Diablo.** Approximately 1,399 acres of property acquired for park purposes at Mount Diablo State Park remain closed. All but 360 acres of this land was acquired prior to 1984-85. In three instances, involving a total of 955 acres, the land is subject to a lease or continues to be occupied by an unlawful tenant. The Attorney General is involved in the state's efforts to permanently remove this tenant from a 535 acre parcel. Another 230 acres should be opened by the end of 1985-86 when demolition and cleanup are completed. The remaining 214 acres will not be opened until fencing is removed. The department could not indicate when this would occur.

**No Plans for Several Large Parcels Awaiting Staff and Facilities.** The department apparently has no plans to open for public use three large parcels acquired prior to 1984-85. These parcels consist of 915 acres at Lakes Earl and Talawa, 1,258 acres at Sonoma Coast, and 1,121 at Burleigh Murray Ranch. The department's preliminary multi-year capital outlay program does not include any developments at these units, nor does the 1986-87 budget request staff for these units in the coming year.

We believe that the department has had ample time to plan for public use of these properties in accordance with the Legislature's expressed intent that all properties acquired for inclusion in the state park system be made available for public use as quickly as possible. We recommend that the department advise the Legislature when it intends to open these properties to public use.

**Supplemental Report Language.** We recommend that the Legislature once again adopt supplemental report language, as it has in each of the last three fiscal years, to continue the reporting requirements and legislative directives aimed at making park properties available for public use as quickly as possible. This language has provided the Legislature with the information needed to better monitor the progress of the department in making parklands open and useful to the public.

Accordingly, we recommend that the Legislature adopt the following supplemental language:

"The Department of Parks and Recreation may contract with the Department of General Services to provide property management services during 1986-87 for properties included in the Property Management Program (program element 20.15 of the Department of Parks and Recreation budget). The department shall move expeditiously to make the properties included in its property management program available for public use at the earliest opportunity. The department shall report to the Chairpersons of the Joint Legislative Budget Committee and the fiscal committees on a quarterly basis, beginning November 1, 1986, on revenue and expenditures for each of the properties managed pursuant to the property management program. The department shall include in the reports (1) the dates it plans to make each property available for

**DEPARTMENT OF PARKS AND RECREATION—Continued**

public access and use and (2) summary descriptions regarding the progress being achieved in resolving problems that prevent each property from being made available for public access and use. In addition, the department shall seek to identify in the reports any properties that may be excess to the needs of the state park system.

No term of any lease shall be extended, nor shall a new lease be entered into, for any of the above properties until 30 days after the Director of Parks and Recreation has provided written notification of the proposed extension or new lease to the Chairpersons of the Joint Legislative Budget Committee and the fiscal committees. Any extension, or new lease, also shall be noted in the quarterly progress reports."

**Augmentation for Printing is Not Justified**

*We recommend that the Legislature reduce by \$80,000 the amount budgeted for printing, because other funds have been redirected to augment the printing budget. We further recommend that the Legislature direct the department to adjust its budget to recognize its actual funding practice. (Reduce Item 3790-001-001 by \$80,000.)*

The budget requests a permanent augmentation of \$80,000 to the printing budget for the department's publications section. This would bring the total amount requested for publication printing to \$128,000 in 1986-87. While we believe the \$80,000 augmentation raises an issue that warrants legislative attention, the issue does *not* involve "printing". During 1984-85, the department administratively redirected \$80,000 from other, presumably lower priority, activities in order to provide the publications section with a \$128,000 printing budget. The department could not indicate whether or not funds will again be redirected to printing in the current year. In effect, the \$80,000 augmentation requested for "increased printing of park folders and books" in 1986-87 instead would be used to restore funds for those unidentified lower priority activities. No evidence has been submitted that would justify the proposed restoration of funds. On this basis, we recommend that the Legislature delete the \$80,000 augmentation. We also recommend that the Legislature direct the department to recognize its current budgeting practice by increasing the amount scheduled for printing by \$80,000 and reducing the amount scheduled from the specific lower priority activities.

If the department feels that it must restore the redirected funds, it should identify how the funds would be used and justify its proposal on that basis.

**Funds for Transaction Reviews Not Needed**

*We recommend that the Legislature delete \$30,000 which the budget requests from the General Fund in order to replace funds which have been redirected for transaction reviews because the department has not identified how it will use these funds. (Reduce Item 3790-001-001 by \$30,000).*

The Department of General Services (DGS) is required to review and approve transactions performed by the department's Acquisitions Division. Transactions subject to review include the granting of easements, rights-of-way, or leases on park property. Until 1984-85, the costs incurred by the department in connection with the DGS's reviews were funded from the department's capital outlay appropriations for acquisitions. Because these are ongoing activities, however, the department determined



that it would be more appropriate to fund these costs from the division's support budget.

In 1984-85 and again in 1985-86, the department redirected funds budgeted in its support budget for other activities in order to pay the costs associated with the interagency agreement. Apparently, the department identified low-priority activities in each of those years that it could defer or eliminate. In effect, the \$30,000 requested in the budget to fund the "interagency agreement" would be used, instead, to restore funds for other unidentified activities.

We therefore recommend that the Legislature delete the \$30,000 requested to fund an interagency agreement with the DGS for providing transaction reviews because the department has not demonstrated a need for the additional funds.

#### **Technical Recommendations**

*We recommend a General Fund reduction of \$46,000 to eliminate over-budgeting as follows (Reduce Item 3790-001-001 by \$46,000):*

- The department has budgeted \$28,000 more for relocation of new employees in 1986-87 than it should have, based on its own budget instructions.
- The proposed new staff for facilities at Cardiff State Beach will perform certain activities which already are being provided through contract. The department, however, did not eliminate funding for the \$4,000 contract from its budget.
- The budget requests \$14,000 more for facilities operations at the newly acquired Cascade Ranch in Ano Nuevo State Reserve than actually will be required because the entire ranch property is not under the department's control.

#### **State Park Concession Contracts**

*We withhold recommendation on the department's 1986-87 concession proposals pending receipt and review of (1) the specific proposals and (2) the annual concessions statement that the department is required by law to submit.*

*We recommend that the department (1) submit two additional concession proposals to the Legislature for review and (2) report on the status of the concession proposal for the Sand and Sea Club property.*

Public Resources Code Section 5080.20 requires that, as part of the budget process, the Legislature review and approve any proposed new or amended concession contract that involves a total investment or estimated annual gross sales in excess of \$250,000. The budget indicates that the following concession proposals will be submitted to the Legislature for approval pursuant to Section 5080.20:

1. Old Town San Diego State Historic Park—Mexican furniture shop.
2. Mandalay State Beach—Interpretive center/hostel.

The department, however, has not submitted any supporting information on these proposals. The Department of Finance indicates that information regarding the specific proposals, including proposed rental rates and the length of the contracts, will be provided in a budget amendment letter. Further, at the time this analysis was prepared, the department had not completed the 1984-85 annual report on concession operations which is required by Section 5080.21 of the Public Resources Code. The department should submit this report prior to budget hearings on proposed

**DEPARTMENT OF PARKS AND RECREATION—Continued**

concession contracts, so that the Legislature can evaluate the proposals in the context of the department's overall concession program.

We withhold recommendation on the department's concession proposals for 1986–87 pending receipt and review of (1) the specific proposals and (2) the department's 1984–1985 concessions report.

**Additional Concession Proposals.** Two other concession arrangements with annual gross sales exceeding \$250,000 will expire during 1986–87. In addition a third major concession, has been operating on a month-to-month basis for some time and should be brought under a new contract. We recommend that the department submit proposals for two concessions prior to budget subcommittees hearings so that the Legislature can review them and that it report on the status of the third during budget hearings. The three concessions are:

1. **Malibu Lagoon State Beach.** The current restaurant and sport fishing concessions on the Malibu pier will expire in March 1987. The department has contracted with California State University, Sacramento, to explore various options for concessions on the pier. The department received the study in February 1986, and indicates that it probably will submit a new concession proposal for the pier to the Legislature, based on the results of the feasibility study.

2. **El Pueblo de Los Angeles State Historic Park.** This park is operated for the department by the City of Los Angeles. Chapter 897, Statutes of 1983, authorized a two-year extension, until January 1, 1986, for the contracts of 21 major concessions located on Olvera Street within the park. Chapter 1049, Statutes of 1985, provided a further extension by requiring the department, upon request, to extend existing concession contracts with Olvera Street merchants for one more year. The measure also authorizes the Director to extend these contracts, at his discretion, for an additional term of up to one year, or until January 1, 1988.

The department is developing a new master concession proposal in conjunction with the City of Los Angeles. Two factors make it imperative that the department submit this proposal to the Legislature for review during hearings on the 1986–87 Budget Bill. First, the Director has indicated he will *not* grant the additional extension on concession contracts so these concessions *will expire* during the budget year. Second, even if the Director did grant the full one-year extension, the length of time required to bid a master concession proposal of this magnitude might make it necessary for the department to submit the proposal to the Public Works Board for approval prior to next year's budget hearings in order to comply with the January 1, 1987, deadline for new concessions contracts. Were this to happen, the Legislature would not have the opportunity to review this important proposal.

For these reasons, we believe that the new concession proposal for El Pueblo de Los Angeles State Historic Park should be submitted to the Legislature as part of the 1986–87 budget.

3. **Sand and Sea Club—Santa Monica State Beach.** The Sand and Sea Club operates as a private club within the boundaries of Santa Monica State Beach. The facility is leased by the club on a month-to-month basis from the City of Santa Monica, which operates the beach for the department.

The club's concession agreement with the city expired in 1981, at which point the city issued a request for proposals (RFP) for a new concession. The RFP designated continued operation of the club on an exclusive (that

is, private) basis as an acceptable use. The department and the city were unable to reach an agreement on a new contract that satisfied the concerns of the California State Park and Recreation Commission. Consequently, a new contract was never awarded and the property has been operated as a private club on a month-to-month basis ever since.

Because the private club tends to exclude the public from this valuable state-owned property, the Legislature authorized the department to exchange the Sand and Sea Club with the City of Santa Monica for other beach property of equal value and utility for state park purposes.

Thus far, the city has failed to offer the department properties with a recreational value to the public equal to the value of using the Sand and Sea Club property for the public's benefit. Instead, the city has offered to exchange for the Sand and Sea Club a maintenance yard and an apartment building which could not be converted to another use because of the city's rent control ordinance. In addition, it offered beach-front property which is already available for public use. The department did not consider any of these properties to provide adequate compensation for the Sand and Sea Club Property. Given the long delay in making this property available to the public, it is essential that the department report on the status of its negotiations with the city during budget hearings and submit a concession proposal to the Legislature for its approval during the 1986-87 budget process if possible.

---

## DEPARTMENT OF PARKS AND RECREATION—CAPITAL OUTLAY

Item 3790-301 from the Park-  
lands (Bond) Fund of 1984  
and various funds

Budget p. R 140

Requested 1986-87 .....	\$54,227,000
Recommended approval .....	24,563,000
Recommended reduction .....	12,731,000
Recommended augmentation .....	392,000
Net recommended approval .....	24,955,000
Recommendation pending .....	16,933,000

### SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

*Analysis  
page*

1. Acquisition and Appraisal Costs. Recommend that the department and the Department of Finance report during budget hearing on how statewide acquisition and pre-budget appraisal needs will be met, given the absence of funding for these activities. 532
2. Appraisals Lacking. Recommend the department and the Department of Finance report during budget hearings on what steps they will take to ensure that property appraisals are available for legislative review on a timely basis in future years. 532
3. Supplemental Language. Recommend adoption of sup- 532

**DEPARTMENT OF PARKS AND RECREATION—CAPITAL OUTLAY—Continued**

plemental report language that describes the scope of each project approved in this item.

**General Fund, Special Account for Capital Outlay**

4. (1) Hearst San Simeon SHM—Artifact Restoration. Recommend approval. 533
5. (2) Hearst San Simeon SHM—Continuing Rehabilitation of Structures. Recommend approval. 533
6. (3) Hearst San Simeon SHM—Fire Suppression. Withhold recommendation on \$263,000, pending receipt of (a) additional information on overall needs and (b) verification of costs. 533

**Environmental License Plate Fund**

7. (1) ***Emerald Bay SP—Vikingsholm Parking Lot and Trail. Reduce Item 3790-301-140 by \$64,000 and reimbursements by \$51,000.*** Recommend total reductions of \$115,000 to delete excessive architectural and engineering fees. 534

**Off-Highway Vehicle Fund**

8. (1) ***Hungry Valley SVRA—Construction of Initial Facilities. Reduce Item 3790-301-263(1) by \$27,000.*** Recommend deletion of unnecessary working drawing funds. 535
9. (2) Ocotillo Wells SVRA—Acquisition. Withhold recommendation on \$3,550,000, pending receipt and review of property appraisal. Recommend adoption of Budget Bill language regarding order of acquisitions, if project is funded. 536
10. (3) Acquisition Costs. Recommend approval. 536
11. (4) Opportunity Purchases. Recommend Budget Bill language (a) limiting acquisitions to lands contiguous to existing SVRA units offered by willing sellers, and (b) requiring approval of specific acquisitions by the Off-Highway Motor Vehicle Recreation Commission. 536
12. (5) Pre-Budget Appraisals. Recommend approval. 537
13. (6) ***Minor Projects. Reduce Item 3790-301-263(6) by \$1,410,000.*** Recommend reduction because projects are improperly budgeted and requests appear to be premature. Withhold recommendation on remaining \$578,000, pending receipt of additional information justifying amounts requested. 537

**State Parks and Recreation Fund**

14. (1) ***Minor Projects. Reduce Item 3790-301-392(1) by \$324,000.*** Recommend reduction to eliminate funds for four projects which were funded in the current year. 538
15. (2) Old Sacramento SHP—Acquisition of Engineering Building Site. Withhold recommendation on \$1,075,000, pending receipt and review of (a) the property appraisal and (b) the department's comments on visitor access and potential funding problems. 538

**Parklands (Bond) Fund of 1980**

16. (1) Design and Construction Planning. Recommend approval. 539

**Parklands (Bond) Fund of 1984**

17. (1) *Accessibility Expansion Minor Projects. Reduce Item 3790-301-722(1) by \$200,000.* Recommend deletion of funds for minor projects because the department has been unable to identify what work will be accomplished. 539
18. (2) *Anderson Marsh Project—Rehabilitation of Ranch House and Interpretive Field School.* Recommend approval. 540
19. (3) *Angel Island SP—Building Restoration and Stabilization. Reduce Item 3790-301-722(3) by \$1,303,000.* Recommend deletion of project funds because there are major inconsistencies in the project scope and costs are not documented adequately. 540
20. (4) *Baldwin Hills SRA—Acquisition.* Reduce Item 3790-301-722(4) by \$5,512,000. Recommend deletion because (a) existing oil operations preclude park use, (b) the usefulness of the proposed acquisition for state park purposes has not been established, and (c) the acquisition would pose operational difficulties. 541
21. (5) *Columbia SHP—Acquisition.* Withhold recommendation on \$370,000 pending receipt and review of the property appraisal. 542
22. (6) *Design and Construction Planning. Augment Item 3790-301-722(6) by \$392,000.* Recommend augmentation in lieu of \$720,000 requested for general plan contracting, because it is more cost-effective to accomplish work using departmental staff. 542
23. (7) *Malibu Creek SP—Acquisition.* Withhold recommendation on \$970,000, pending receipt and review of the property appraisal. 543
24. (8) *Manchester SB—Acquisition.* Withhold recommendation on \$220,000 pending receipt and review of the property appraisal. 543
25. (9) *Manresa SB—Construction of Campground and Beach Access. Reduce Item 3790-301-722(9) by \$84,000.* Recommend reduction to eliminate (a) funds which are double-budgeted for campsite furniture and (b) unjustified architectural and engineering fees. 543
26. (10) *Monterey SB—Window-on-the-Bay—Acquisition.* Withhold recommendation on \$3,165,000, pending receipt and review of the property appraisal and information on the city's purchase price. 544
27. (11) *Old Sacramento SHP—Acquisition for Walnut Grove Excursion Line.* Withhold recommendation on \$1,270,000, pending receipt and review of the property appraisal. 545
28. (12) *Old Sacramento SHP—Waterfront Development.* Withhold recommendation on \$1,336,000 pending review of partially completed working drawings and revised estimates. 545
29. (13) *Oxnard SB—Construction of Day-Use Facilities. Reduce Item 3790-301-722(13) by \$600,000.* Recommend deletion because the project is a local responsibility. Also recommend deletion of related Budget Bill language. 546

**DEPARTMENT OF PARKS AND RECREATION—CAPITAL OUTLAY—Continued**

30. (14) Palomar Mountain SP—Acquisition. Withhold recommendation on \$280,000, pending receipt and review of the property appraisal. 546
31. (15) *Patrick's Point SP—Construction of Native American Village. Reduce Item 3790-301-722(15) by \$36,000.* 547  
Recommend reduction to eliminate overbudgeted architectural and engineering fees and funds for support-related equipment.
32. (16) *Pfeiffer Big Sur SP—Working Drawings for Multi-Agency Facility. Reduce Item 3790-301-722(16) by \$50,000.* 547  
Recommend deletion because a general plan has not been completed for the park. Further recommend that the department report during budget hearings on why it proposes to fund this project when other higher-priority bond projects have not been funded.
33. (17) Point Sur Lighthouse—Immediate Public Use Improvements. Recommend approval. 548
34. (18) Preliminary Planning. Recommend approval. 549
35. (19) *Rehabilitation and Replacement of Worn-Out Facilities. Recommend as follows:* 549
  - (a) D. L. Bliss SP—Campground Rehabilitation. Recommend approval.
  - (b) *Doheny SB—Campground Rehabilitation. Reduce Item 3790-301-722(19)(b) by \$75,000.* Recommend reduction to eliminate unjustified architectural and engineering fees.
  - (c) Gaviota SP—Campground and Day-Use. Recommend approval.
  - (d) MacKerricher SP—Water System Improvements. Withhold recommendation on \$200,000, pending identification of selected alternative and associated costs.
  - (e) S. P. Taylor SP—Campground Rehabilitation. Recommend approval.
36. (20) *San Diego Coast State Beaches (Torrey Pines SB)—Construction of Day-Use Access and Overnight Facilities. Reduce Item 3790-301-722(20) by \$60,000.* 550  
Recommend reduction to eliminate unjustified architectural and engineering fees.
37. (21) *Santa Cruz Mission SHP—Reconstruction of Neary-Rodriguez Adobe. Reduce Item 3790-301-722(21) by \$1,190,000.* 551  
Recommend deletion because the request is not based on the results of the previous phases as required by the Legislature.
38. (22) *Silver Strand SB—Working Drawings for Campground Development. Reduce Item 3790-301-722(22) by \$24,000.* 552  
Recommend reduction to eliminate funds for agency-retained work which will not be accomplished in the budget year.
39. (23) South Carlsbad SB—Working Drawings for Administrative, Maintenance and Day-Use Facilities. Withhold recommendation on \$231,000, pending receipt of project plans and estimates. Recommend that the department report during budget hearings on why it proposes to use bond funds for administrative and maintenance facilities 552

- when demands for recreational facilities have not been met.
40. (24) *Stanford House SHP—Working Drawings for Historic Preservation. Reduce Item 3790-301-722(24) by \$52,000.* 553  
Recommend reduction to reflect the project scope as revised by the department.
  41. (25) *General Plan Contracting. Reduce Item 3790-301-722(25) by \$720,000.* 553  
Recommend reduction because it is more cost-effective to use departmental staff to accomplish this work. (Recommend augmentation of \$392,000 to Item 3790-301-722(6) to accomplish same work.)
  42. (26) *Inholding Purchases.* 554  
Recommend approval.
  43. (27) *Interpretive Artifacts and Exhibit Rehabilitation.* 554  
Recommend approval.
  44. (28) *Opportunity Purchases.* 555  
Recommend approval.
  45. (29) *Natural Resources Stewardship Program—Minor Projects.* 555  
Recommend approval.
  46. (30) *Topographic Survey Needs.* 555  
Recommend approval.
  47. (31) *Torrey Pines SR—Los Penasquitos Lagoon Acquisition.* 555  
Withhold recommendation on \$2,012,000, pending (a) clarification of the total acquisition proposal and (b) receipt and review of the property appraisal.
  48. (32) *Volunteer Program—Minor Projects. Reduce Item 3790-301-722(32) by \$1,000,000.* 556  
Recommend deletion because the department has not identified how the funds will be spent.
  49. (33) *Wilder Ranch SP—Working Drawings for Campground and Day-Use Facilities.* 556  
Withhold recommendation on \$294,000, pending (a) receipt of plans and estimates, and (b) the department's report on relative priorities for funding from 1984 bond funds.
  50. (34) *Wilder Ranch SP—Historic Restoration, Phase II.* 557  
Withhold recommendation on \$1,119,000, pending receipt of the department's report regarding (a) arbitrary funding limits and (b) relative priorities for funding from 1984 bond funds.
- State, Urban, and Coastal Park Fund (1976 Bond)**
51. (1) *Design and Construction Planning.* 558  
Recommend approval.
  52. (2) *Monterey SHP—Items to Complete Cooper-Molera Adobe.* 558  
Recommend that the department report during budget hearings on why the Legislature was not notified when it became apparent that the full project scope could not be accomplished with available funds.
- Federal Trust Fund**
53. (1) *Anza Borrego Desert SP—Acquisition.* 559  
Recommend that the department report during budget hearings on the status and value of surplus property at the park.
  54. (2) *Big Basin Redwoods SP—Acquisition.* 559  
Recommend approval.
  55. (3) *California Redwoods Parks—Acquisition.* 559  
Recommend approval.
  56. (4) *Castle Rock SP—Acquisition.* 560  
Recommend approval.

**DEPARTMENT OF PARKS AND RECREATION—CAPITAL OUTLAY—Continued**

**OVERVIEW OF THE BUDGET REQUEST**

The budget proposes appropriations totaling \$54,227,000 from eight different funding sources for the Department of Parks and Recreation's capital outlay program in 1986-87. In addition, the budget indicates that \$800,000 will be available from a prior-year appropriation for two projects included in the budget, resulting in total projected expenditures of \$55,027,000 in the budget year. The department proposes to use these funds for 36 major projects, various minor projects, general plan development, and project planning and design. The largest portion of the funds—\$36,983,000—is provided from the Parklands (Bond) Fund of 1984.

For discussion purposes, we have divided the department's program into eight parts, based on the funding sources proposed for the various projects. Table 1 shows the department's total capital outlay request, by funding source, and indicates the page on which the analysis of projects from each funding source begins.

**Table 1**  
**Department of Parks and Recreation**  
**1986-87 Capital Outlay Program Summary**  
**(dollars in thousands)**

<i>Item</i>	<i>Funding Source</i>	<i>Budget Bill Amount</i>	<i>Analysis Page</i>
3790-301-036	General Fund, Special Account for Capital Outlay .....	\$1,019	532
3790-301-140	Environmental License Plate Fund .....	544	534
3790-301-263	Off-Highway Vehicle Fund .....	7,757	535
3790-301-392	State Parks and Recreation Fund .....	5,498	538
3790-301-721	Parklands Fund of 1980 (Bond) .....	900	539
3790-301-722	Parklands Fund of 1984 (Bond) .....	36,983	539
3790-301-742	State, Urban, and Coastal Park Fund (1976 Bond) .....	776	558
3790-301-890	Federal Trust Fund .....	750	599
Total .....		\$54,227	

**The Expenditure Estimates in the Budget Are Not Reliable**

The budgeted level of capital outlay expenditures in 1986-87 (\$55,027,000) is only one-third the level projected for the current year (\$164,864,000). This reduction is more apparent than real. It reflects the *assumption*, rather than the expectation, that the full amount appropriated to the department for capital outlay in the current year (except for one planned carryover of \$800,000) will be spent by June 30, 1986. The chance that this will happen, however, is nil. Typically, funds for many projects are carried over from year to year during the three or more years in which the funds are available.

Chart 1 shows how the budget's midyear estimate of expenditures compares with actual expenditures for the period 1980-81 through 1984-85. In 1984-85, the department actually spent \$33 million on capital outlay, rather than the \$127 million assumed in the 1985-86 budget document. Similarly, in 1983-84, actual expenditures were \$52 million, compared with the \$130 million in expenditures "projected" in midyear. In fact, of the



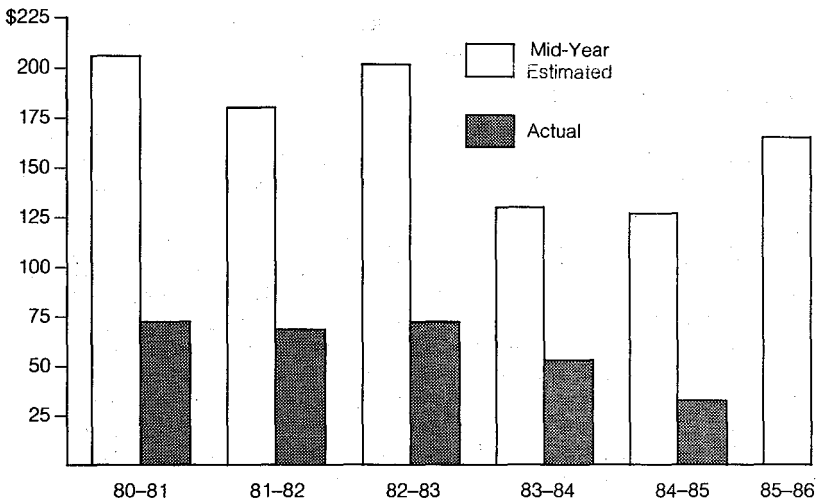
\$164,864,000 that the budget "expects" to be spent in the current year, \$89,553,000, or 54 percent, was appropriated in prior years—in some cases, years as far back as 1973.

This practice of intentionally overestimating expenditures in the current-year column of the budget not only artificially distorts year-to-year expenditure comparisons; it handicaps the Legislature in determining resource requirements for the budget year. This is because a substantial number of previously funded projects will be carried over into 1986–87, adding workload to that resulting from the new appropriations sought for 1986–87. To the extent that adequate staffing is not provided to accommodate this workload, project management will be spread too thinly and some projects will be delayed.

The Legislature can pretty much count on the Department of Finance to request the reappropriation of funds which the budget shows as being spent in 1985–86. This request probably will arrive too late in the cycle to leave the Legislature with sufficient time to consider the merits of the individual proposals.

Chart 1

**Department of Parks and Recreation—Capital Outlay  
Estimated vs. Actual Expenditures  
1980–81 through 1985–86 (in millions)**



**DEPARTMENT OF PARKS AND RECREATION—CAPITAL OUTLAY—Continued****ANALYSIS AND RECOMMENDATIONS****Acquisition and Appraisal Costs**

*We recommend that the department and the Department of Finance report during budget hearings on how statewide acquisition and pre-budget appraisal needs will be met in 1986-87, given the absence of funding for these activities.*

Traditionally, the department's budget has included, and the Legislature has provided, funds for pre-budget appraisals and statewide acquisition costs. These funds are used by the department to reimburse the Department of General Services, Office of Real Estate Services for costs associated with (1) preparing property appraisals for projects where funding will be requested for the following fiscal year, and (2) processing and/or acquiring gifts to the park system, land exchanges, interagency transactions, transfers, and acquisitions for which administrative costs are not included in a project appropriation.

The budget for 1986-87 does not include any funds for these purposes (except for off-highway vehicle projects).

In the absence of funding for these activities, it is not clear how adequate information will be developed to support next year's proposed acquisitions, or how no-cost and federally funded acquisitions will be processed. Consequently, we recommend that the department and the Department of Finance report to the Legislature during budget hearings on how these activities will be accomplished next year.

**Appraisal Information Lacking**

*We recommend that the department and the Department of Finance report during budget hearings on what steps they will take to ensure that property appraisals are available for legislative review on a timely basis in future years.*

Existing law requires completion of appraisals for acquisition projects before funds for these projects are included in the Governor's Budget.

The budget includes funds for 10 specific acquisition projects in 1986-87. However, no completed appraisals were available for these 10 projects at the time this analysis was prepared. The department indicates that the appraisals will be completed by April 1, 1986.

We recommend that the department and the Department of Finance report during budget hearings on what steps they will take to comply with the law and ensure that in the future property appraisal information is available for legislative review on a timely basis.

**Supplemental Report Language**

For purposes of project definition and control, we recommend that the fiscal subcommittees adopt supplemental report language which describes the scope of each of the capital outlay projects approved under this item. This would be consistent with action taken by the Legislature in prior years.

**SPECIAL ACCOUNT FOR CAPITAL OUTLAY  
ITEM 3790-301-036**

The budget includes \$1,019,000 from the General Fund, Special Account for Capital Outlay, for the Department of Parks and Recreation's capital outlay program in 1986-87. The requested amount would fund three projects at the Hearst San Simeon State Historic Monument.

**(1) Hearst San Simeon State Historic Monument (SHM)—  
Artifact Restoration ..... \$256,000**

***We recommend approval.***

The budget requests \$256,000 for artifact restoration work at Hearst Castle. In prior years, the appropriations for "continuing restoration" at the castle have included funds for this type of work, as well as funds for structural rehabilitation work. The budget proposes separate appropriations for this work in 1986-87.

In April 1985, the department issued an updated survey of restoration and preservation needs at the castle. This survey identifies more than \$1.57 million in artifact restoration work that should be done. In addition, the survey identifies many artifacts needing restoration for which no estimate was available at the time the survey was conducted.

The artifact restoration funds requested for the budget year will be used to (1) clean, repair and seal limestone and marble window frames in the main house, (2) restore a marble Roman bust which is displayed on the esplanade, (3) remove and restore the mosaic floor from the morning room, and (4) clean, repair and stabilize Greek pottery.

Given the importance and value of the artifact collection at the Hearst Castle, we agree that a separate appropriation should be provided for this work. The proposed project is consistent with the restoration survey and appears to be appropriate in scope and cost. Accordingly, we recommend that funding for the project be approved.

**(2) Hearst San Simeon SHM—Continuing Rehabilitation  
of Structures..... \$500,000**

***We recommend approval.***

The department is requesting \$500,000 to continue a program of building stabilization and repairs at Hearst Castle. Specifically, the project provides for (1) waterproofing and restoration of building exteriors, (2) installation of new electrical wiring and components, (3) repair of walkway, stair and terrace surfaces, (4) exterior and interior painting, and (5) minor structural work related to artifact restoration.

The restoration survey completed by the department in April 1985 identifies over \$6.4 million in structural rehabilitation and restoration work at the castle. In addition, certain recurring work, such as waterproofing, must be done on a periodic basis.

This request is consistent with prior appropriations provided by the Legislature and with the needs identified in the survey. We recommend that funds for the project be approved.

**(3) Hearst San Simeon SHM—Fire Suppression..... \$263,000**

***We withhold recommendation on \$263,000 requested for fire suppression work at Hearst Castle, pending receipt of (1) additional information on overall fire suppression needs and (2) verification of the costs for the proposed work.***

The budget includes \$263,000 for improvements related to fire safety at Hearst Castle. The department indicates that this is the first phase of work to implement the recommendations of a fire suppression study conducted on behalf of the State Fire Marshal by a private consultant.

The purpose of the on-site survey was to develop an overall fire protection and suppression plan for the castle, taking into consideration the

**DEPARTMENT OF PARKS AND RECREATION—CAPITAL OUTLAY—Continued**

historic significance and structural intricacy of the facility, the artifact collection housed in the castle, and the cost-effectiveness of possible recommendations. The study is critical of conditions at the castle, and recommends both operational and physical improvements to increase fire safety.

The requested funds would be used for the following purposes:

- Install an emergency generator to provide power for lights, radios, and security systems (\$10,000).
- Install a Halon fire suppressant system in certain artifact and electrical equipment storage areas (\$105,000).
- Provide emergency lights in underground rooms with no sources of natural light (\$15,000).
- Install an automatic sprinkler system in wooden historical structures near the castle which house fire-fighting equipment (\$18,000).
- Relocate the master fire alarm panel from the regional office to the dispatch office (\$15,000).
- Upgrade the security system by providing vibration detectors in perimeter fences (\$50,000).
- Construct a separate storage building for flammable materials (\$50,000).

We recognize the need to improve fire prevention and response capabilities at the monument. In addition, we note that some of the proposed work will improve the overall security of the castle. The costs of the projects, however, have not been verified by the Office of State Architect. Further, the proposal does not identify the full cost of all fire safety work, despite the fact that this is the first phase of a larger program. This information should be presented to the Legislature, so that this request can be evaluated in the context of the total program.

Accordingly, we withhold recommendation on the \$263,000 requested for fire suppression activities, pending receipt of (1) additional information on the total fire suppression program, and (2) verification of the estimated costs of the proposed work.

**ENVIRONMENTAL LICENSE PLATE FUND****ITEM 3790-301-140**

(1) Emerald Bay SP—Vikingsholm Parking Lot and Trail, Working Drawings and Construction .....	\$1,000,000
(2) Less reimbursement from CalTrans .....	—456,000
<b>Net Appropriation .....</b>	<b>\$544,000</b>

*We recommend reductions of \$64,000 from the Environmental License Plate Fund and \$51,000 in reimbursements requested in Item 3790-301-140, in order to delete excessive architectural and engineering fees.*

The budget requests a net appropriation of \$544,000 from the Environmental License Plate Fund to expand and pave a parking area and overlook along State Highway 89 at Emerald Bay State Park (Lake Tahoe), and to pave an existing hiking trail that leads from the parking area to the famous Vikingsholm building located on the shores of Emerald Bay. The present unimproved parking area is undersized and results in severe traffic congestion problems along Highway 89. In addition, the unpaved trail causes sediment runoff into Lake Tahoe.

The total cost of the proposed project is estimated at \$1 million. However, the department indicates that the California Department of Transportation (Caltrans) will fund 50 percent of the cost attributable to the parking lot portion of the project. Thus, the item requests an appropriation of \$544,000 which would be supplemented by reimbursements of \$456,000 from Caltrans.

The department requested funds last year for a similar project at Emerald Bay. The Legislature deleted those funds, however, because the department did not have adequate plans or estimates, and the proposal did not provide for Caltrans to share in the costs.

The information submitted in support of this year's request includes an updated plan prepared by the department. Further, the administration's proposal provides for Caltrans to share in the costs.

The department's request includes an amount equal to 25 percent of contract cost *and* contingency for architectural and engineering services. We fail to see why the cost of these services should be so high, especially for a parking lot project.

Section 6559 of the State Administrative Manual generally limits architectural and engineering fees to 13 percent of estimated *construction* contract cost, unless the requesting agency justifies a greater amount. While conditions in the Tahoe basin may result in higher-than-average engineering costs, the department has not provided adequate detail on the sources and amounts of these increased costs.

Consequently, we recommend that the total project cost be reduced by \$115,000 to eliminate excessive fees. This translates into reductions of \$64,000 in the amount provided from the Environmental License Plate Fund and \$51,000 in the amount provided by reimbursements from Caltrans.

#### **OFF-HIGHWAY VEHICLE FUND ITEM 3790-301-263**

The budget proposes \$7,757,000 from the Off-Highway Vehicle (OHV) Fund in 1986-87 for capital outlay projects in the State Vehicular Recreation Area and Trail System.

The Off-Highway Motor Vehicle Recreation Commission, established by Ch 994/82, must review and approve all proposed capital outlay expenditures from the fund before they may be included in the budget. The commission reviewed and approved the projects requested in this item at various meetings held during 1985.

#### **(1) Hungry Valley SVRA—Initial Facilities, Construction..... \$2,039,000**

*We recommend a reduction of \$27,000 in the amount requested for construction of initial facilities at Hungry Valley SVRA to eliminate additional working drawing funds.*

The department requests \$2,039,000 from the OHV Fund for construction of day-use facilities at Hungry Valley SVRA, located near Gorman in the northwest corner of Los Angeles County. The project provides for an administrative complex, including office and maintenance buildings, and a comfort station, utility development, roads, parking lots, and fencing. The 1985 Budget act provided \$311,000 for working drawings (\$161,000) and agency-retained work (\$150,000) to be performed in the current year.

The department's request for 1986-87 includes \$27,000 in working drawing funds. The Legislature provided the *full* amount requested by the department for this purpose in the 1985 Budget Act. Thus, no additional

**DEPARTMENT OF PARKS AND RECREATION—CAPITAL OUTLAY—Continued**

working drawing funds should be needed. We therefore recommend deletion of the additional \$27,000 requested for working drawings. We recommend approval of the remaining \$2,012,000 for construction of facilities at Hungry Valley SVRA.

**(2) Ocotillo Wells SVRA—Acquisition..... \$3,550,000**

*We withhold recommendation on \$3,550,000 requested for acquisition at Ocotillo Wells SVRA, pending receipt and review of the property appraisal. We recommend that, if the project is funded, the Legislature adopt Budget Bill language limiting expenditure of funds to the acquisition of parcels which are contiguous to lands already under the department's control.*

The budget includes \$3,550,000 for the acquisition of 15,668 acres of privately-owned land as an addition to Ocotillo Wells SVRA, which is located approximately 100 miles northeast of San Diego, on the eastern boundary of Anza Borrego Desert State Park. The proposed addition to this unit consists of approximately 28,000 acres, and includes about 8,000 acres under the control of the Bureau of Land Management and 4,600 acres which are owned by the State Lands Commission. The department anticipates acquiring the use of or title to the publicly-held lands at no cost.

The land proposed for acquisition consists of open desert and desert mountains which have been subject to heavy use by off-highway vehicles for several years. The project appears reasonable from both a management and resource protection perspective. However, at the time this analysis was prepared, the appraisal on the property had not been completed. Consequently, we withhold recommendation on the amount requested pending receipt and review of the property appraisal.

This is a complex acquisition project, involving 267 different privately-held parcels and two other public agencies. If this project is funded, we recommend that the department be limited to acquiring property which will be of use to the public and manageable by the department if acquisition difficulties arise. Accordingly, if the project is funded we recommend that the Legislature adopt the following Budget Bill language under Item 3790-301-263 limiting the expenditure of funds to the purchase of land which is contiguous to lands already under the department's control:

“Funds appropriated in category (2) for acquisition at Ocotillo Wells SVRA may be encumbered only for the acquisition of parcels which are contiguous to lands which already are under the control of the department.”

**(3) Acquisition Costs..... \$30,000**

*We recommend approval.*

The budget requests funds to cover the costs of staff work involved in (1) planning and budget preparation for off-highway vehicle acquisition projects, and (2) the processing of gifts and land exchanges. The amount requested is reasonable.

**(4) Opportunity Purchases..... \$100,000**

*We recommend approval of the amount requested for opportunity purchases. We further recommend the adoption of Budget Bill language which (1) limits acquisitions to lands contiguous to existing SVRA units offered by willing sellers, and (2) requires approval of acquisitions by the Off-Highway Motor Vehicle Recreation Commission.*

The budget requests \$100,000 from the OHV Fund for the acquisition of small properties which may become available on an opportunity basis in 1986-87. Our review indicates that the amount requested is justified.

The Legislature, in approving funds for this purpose in the past two budget acts, has adopted language which limits acquisitions to properties contiguous to existing SVRA units which are offered by willing sellers. The language also requires approval of specific acquisitions by the Off-Highway Motor Vehicle Recreation Commission. We believe that these conditions are a prudent limitation on the department's authority to acquire OHV lands without specific legislative review and approval. Accordingly, we recommend that the Legislature include identical language in Item 3790-301-263 of the 1986 Budget Bill, as follows:

"Funds appropriated in category (4) for opportunity purchases are available for acquisition of lands contiguous to lands of the State Vehicular Recreation Area and Trail System from willing sellers only. No funds for an opportunity acquisition may be encumbered until the specific acquisition has been approved by the Off-Highway Motor Vehicle Recreation Commission."

**(5) Pre-Budget Appraisals ..... \$50,000**

*We recommend approval.*

The budget requests \$50,000 from the OHV Fund to reimburse the Department of General Services for appraisals needed to prepare requests for acquisitions that will be funded in future budgets. The amount appears to be reasonable.

**(6) Minor Projects ..... \$1,988,000**

*We recommend a reduction of \$1,410,000 in the amount requested for minor projects to eliminate funding for 10 projects because the projects are budgeted improperly and the requests appear to be premature. We withhold recommendation on the remaining \$578,000 requested for 10 projects, pending the receipt of additional information justifying the amounts requested.*

The department requests \$1,988,000 for 20 minor projects at various state vehicular recreation areas. The proposal includes such projects as erosion and sediment reduction activities, access control, provision of drinking water, and employee housing.

**Martin Ranch projects.** Ten of the projects, with an estimated total cost of \$1,410,000, are requested for the Martin Ranch property in Fresno and San Benito Counties. These projects include road repairs, improvements at the ranch headquarters, and fencing.

The 1985 Budget Act provides \$7,720,000 for the acquisition of the 46,290-acre Martin Ranch to establish a new SVRA. However, at the time this analysis was prepared, the purchase had not taken place and the department indicated that it was unlikely to occur in the current year. Following the acquisition of the ranch property, the department indicates that it plans numerous exchanges to acquire private inholdings as well as adjacent lands under the control of the Bureau of Land Management. Given the amount of time that these activities are likely to take, it appears premature to request funds at this time to prepare the property for use by off-highway vehicles.

In addition, it is not clear why these projects are budgeted as 10 separate projects, rather than as one or two major development projects. For exam-

DEPARTMENT OF PARKS AND RECREATION—CAPITAL OUTLAY—Continued

ple, three of the projects involve improvements to the same portion of the access road leading to the ranch. In addition, each of these three projects is budgeted at the \$200,000 limit for minor projects. Furthermore, the budgeting of this work as 10 minor projects is inconsistent with the actions of the Off-Highway Motor Vehicle Recreation Commission which approved the Martin Ranch work as one project at its July 27, 1985 meeting.

Accordingly, we recommend that the Legislature delete the \$1,410,000 requested for the Martin Ranch projects because the projects are improperly budgeted and the request appears to be premature.

**Remaining projects.** The remaining \$578,000 is requested for 10 projects at four state vehicular recreation areas. While these projects appear reasonable, the estimated costs are preliminary at best, and are not documented adequately. The department indicates that this information can be developed in time for budget hearings. We withhold recommendation on the remaining \$578,000, pending receipt of information justifying the amounts requested.

STATE PARKS AND RECREATION FUND  
ITEM 3790-301-392

The department requests appropriations totaling \$5,498,000 from the State Parks and Recreation Fund to fund one acquisition project and various minor projects in 1986-87.

(1) Minor Projects ..... \$4,423,000

*We recommend (1) a reduction of \$324,000 in the amount requested for minor projects to delete funds for four projects which were funded by the Legislature in the current year, and (2) approval of funding for 71 other projects in the reduced amount of \$4,099,000.*

The department requests \$4,423,000 from the State Parks and Recreation Fund for 75 minor projects to be undertaken throughout the state park system in 1986-87. These minor capital outlay projects (costing \$200,000 or less per project) include (1) utility systems improvements, (2) protection of park resources, (3) minor restoration of historic structures, and (4) replacement of worn-out restroom facilities.

The following four projects which are included in the department's proposal were funded by the Legislature in the 1985 Budget Act:

- Mill race enclosure, Marshall Gold Discovery SHP (\$24,300).
- Whaler's cottage restoration, Point Lobos SR (\$56,700).
- Jack London cottage restoration, Jack London SHP (\$126,900).
- Comfort station, Twin Lakes SB (\$115,600).

We see no reason why these projects should be funded again and recommend deletion of the \$324,000 requested to do this work.

Our review indicates that the scope and cost of the other 71 projects are appropriate. We, therefore, recommend approval of the remaining \$4,099,000 requested for minor capital outlay projects.

(2) Old Sacramento SHP—Engineering Building Site, Acquisition \$1,075,000

*We withhold recommendation on \$1,075,000 for acquisition of an engineering building site for Old Sacramento SHP, pending receipt and review of (1) the property appraisal, and (2) the department's comments on visitor access and potential funding problems.*

The budget includes \$1,075,000 from the State Parks and Recreation



Fund for the acquisition of approximately 3.4 acres as a site for an engineering building for Old Sacramento SHP. The proposed acquisition is located between Interstate 5 and the Sacramento River nine blocks south of the State Railroad Museum. The site would be used to construct an engineering facility to maintain, restore, and interpret railroad rolling stock as part of the museum's program.

**Background.** In the 1970's, the department purchased an old power house site immediately north of Old Sacramento as the location for an engineering facility. The site proved infeasible, however, and Ch 1266/82 authorized the sale or exchange of the property. The department has not yet sold the old power house site, but indicates the sale should yield between \$1.5 million and \$2 million. Subsequent legislation (Ch 1384/84) appropriated \$800,000 of the proceeds anticipated from the sale of the property. Of this amount, \$300,000 is to fund acquisition of a new site for the engineering building and \$500,000 is for another project. Thus, the proposed appropriation would make a total of \$1,375,000 available to purchase the new site.

**Potential Overappropriation.** The Budget Bill specifies that the \$1,075,000 appropriated in Item 3790-301-392 also will come from the sale proceeds. In order to support this appropriation and the appropriations made by Chapter 1384, the sale of the old power house site would have to yield \$1,875,000. This could be more than what sale of the property will bring.

**Appraisal not completed.** At the time this analysis was prepared, the property appraisal for this acquisition had not been completed. Without this information, we are unable to comment on the amount requested for this project.

**Visitor Safety and Access.** The proposed site is located nine blocks south of the Railroad Museum. To get there, one must cross a major thoroughfare spanning the Sacramento River (Capitol Avenue). It is not clear how the department will provide safe or convenient visitor access to the site.

We withhold recommendation on the request, pending receipt and review of (1) the property appraisal and (2) the department's comments on visitor access and the potential for overappropriation of available funds.

#### **PARKLANDS (BOND) FUND OF 1980**

##### **ITEM 3790-301-721**

(1) Design and Construction Planning ..... \$900,000

*We recommend approval.*

The budget requests \$900,000 from the Parklands (Bond) Fund of 1980 for transfer to the department's support budget (Item 3790-001-001) in order to fund the staff working on design and construction planning for development projects. The amount requested appears to be reasonable.

#### **PARKLANDS (BOND) FUND OF 1984**

##### **ITEM 3790-301-722**

(1) Accessibility Expansion Program—Minor Projects ..... \$200,000

*We recommend that the Legislature delete \$200,000 requested for minor projects to increase the accessibility of park facilities because the department has been unable to identify what work will be accomplished with the funds.*

The department requests \$200,000 for accessibility improvement

**DEPARTMENT OF PARKS AND RECREATION—CAPITAL OUTLAY—Continued**

projects in 1986-87. The department's proposal indicates that the funds will be used to remove barriers to the physically handicapped at state park units.

The department has been unable to identify the scope and cost of specific projects to be accomplished. In fact, the department could not even identify the park units at which the work would be done. Department staff indicates that a project list could be developed, but could not tell us when it would be available for legislative review. Without this information, we have no basis for evaluating the proposed expenditure of funds.

We also note that the department has received \$1,029,000 over the past five years for what has been identified as a phased program to retrofit facilities at various park units in order to make them accessible to disabled persons. In requesting funds last year, the department indicated that 1985-86 was the *final year* of the retrofit program. In presenting the phased program to the Legislature for approval, the department never indicated that the program would not meet all accessibility needs. Thus, the need for additional funding has not been established.

We recommend that the Legislature delete the \$200,000 requested for accessibility projects because the department has not established a need for the funds or indicated how the funds will be spent. Should the department develop information justifying the request prior to the conclusion of budget hearings, we will revise this recommendation accordingly.

**(2) Anderson Marsh Project—Rehabilitation of Ranch House and Interpretive Field School ..... \$146,000**

*We recommend approval.*

The budget requests \$146,000 to stabilize and restore the ranch house and a barn as part of the Anderson Marsh project in Lake County. The Anderson Ranch was established in the late 1800s. The department indicates that the proposed rehabilitation will allow these facilities to be used for a museum and a living history center to acquaint visitors with family ranch life in the late 19th and early 20th centuries. The amount requested for this project appears reasonable and we recommend that it be approved.

**(3) Angel Island SP—Building Restoration and Stabilization, Working Drawings and Construction..... \$1,303,000**

*We recommend that the Legislature delete \$1,303,000 requested for restoration and stabilization work at Angel Island SP, because (1) there are major inconsistencies in the scope of the project as described by the department and (2) the costs have not been estimated by the Office of State Architect, which will perform the work.*

The department requests \$1,303,000 to continue the stabilization and restoration of the immigration station at the North Garrison at Angel Island SP. According to the department, the funds would be used to restore areas which are not currently open to park visitors because the structures are either unfinished or hazardous. The Legislature first provided funds for work at the North Garrison in the 1978 Budget Act.

The information submitted by the department in support of this request is confused. It defines two project scopes, each estimated to cost the same amount of money. Moreover, the larger of the two project scopes includes

the smaller project plus significant additional work. The project cost information submitted with the proposal, however, does not provide enough detail to determine what work actually could be accomplished with the requested funds. Further, the cost estimate was developed by department staff in conjunction with the docent organization at the park. To our knowledge, the Office of State Architect (OSA) has not verified the cost estimate for either scope of work, even though the department indicates that the OSA will be requested to execute the project.

Given the inconsistencies and deficiencies in the department's proposal, we recommend that the Legislature delete the \$1,303,000 requested for stabilization and restoration at Angel Island SP. The department should resubmit a proposal for legislative consideration when it has determined what work it wishes to accomplish, and the OSA has verified the cost of the proposed work.

**(4) Baldwin Hills SRA—Acquisition ..... \$5,512,000**

*We recommend that the Legislature delete \$5,512,000 requested to fund further acquisition for Baldwin Hills SRA because (1) existing oil operations appear to preclude park use of the property, (2) the usefulness of the proposed acquisition for park purposes has not been established and (3) the acquisition would result in operational difficulties.*

The budget requests \$5,512,000 for the acquisition of approximately 28 acres adjacent to the western boundary of Baldwin Hills SRA and east of La Cienega Boulevard in Los Angeles County. The Legislature provided \$3 million for this same acquisition in the 1985 Budget Act, but the funds were vetoed by the Governor.

We have several problems with the proposed acquisition.

**Commercial exploitation prohibited.** The amount requested in the budget is based on what is needed to acquire full fee title to the property. The department, however, indicates that active oil wells and production facilities are located within the proposed acquisition, and that they will continue to produce for five to 20 more years. Section 5001.65 of the Public Resources Code specifically prohibits "the commercial exploitation of resources in units of the state park system." Thus, this acquisition appears to be inconsistent with existing law.

The department is exploring the possibility of acquiring reversionary rights to the property. Purchase of reversionary rights would permit the state to pay a discounted price now for the future rights to the property. The amount needed for the acquisition of reversionary rights may be much less than the \$5,512,000 requested. However, no appraisal of the property was available for our review at the time this analysis was prepared. In any event, it is not clear that even the acquisition of reversionary rights would be consistent with Section 5001.65.

**Park value has not been established.** The department indicates that, despite presence of oil production facilities, a portion of the property is suitable for park development. The parcel, however, is not included within the general plan for the park, so the actual development potential has not been evaluated fully. Our review indicates that incorporating this parcel with the existing and planned development at Baldwin Hills would be difficult. The parcel is separated from the remainder of the park by a swale which would make pedestrian or vehicular access from the existing developed areas difficult. In addition, the parcel is located outside the entrance station of the park, thus presenting operational problems.

The department also states that the property will facilitate southbound

**DEPARTMENT OF PARKS AND RECREATION—CAPITAL OUTLAY—Continued**

access off La Cienega Boulevard. However, the newly constructed overcrossing is located north of the parcel and any southbound exit would be on the opposite side of the overpass. Consequently, we fail to see how the parcel will enhance southbound access to the park.

*Major commitment of resources already planned.* Over the past several years, the Legislature has provided approximately \$16.6 million for acquisition and development at Baldwin Hills. The department indicates that future *planned* development on property already owned by the state will cost an additional \$3.5 million (scheduled for 1987–88). Additional development, for which the department has no cost estimate, is included in the approved general plan for Baldwin Hills.

Clearly the state has made a major commitment to the Baldwin Hills SRA. The proposed acquisition, however, is very costly (\$197,000 per acre), has questionable potential for park development and would pose operational difficulties. Furthermore, the presence of oil operations would appear to preclude acquisition of the parcel for the state park system. For these reasons, we recommend that the Legislature delete the \$5,512,000 requested for acquisition at Baldwin Hills SRA.

**(5) Columbia SHP—Acquisition..... \$370,000**

*We withhold recommendation on \$370,000 requested for acquisition of three parcels at Columbia SHP, pending receipt and review of the property appraisal.*

The department requests \$370,000 to purchase three parcels totaling approximately 0.6 acres for addition to Columbia SHP in Tuolumne County. The department indicates that these three inholdings are significant to the integrity of the park and are needed to preserve the historic scene.

One of the parcels is undeveloped open space, one has a single-family residence on it, and the third is occupied by a commercial building. The requested amount includes \$65,000 to assist in the relocation of the occupants of the property.

The proposed acquisition appears reasonable from a program perspective. However, at the time this analysis was prepared, no appraisal of the property was available. Without this information, we are unable to evaluate fully the proposed acquisition. Therefore, we withhold recommendation on the \$370,000, pending receipt and review of the property appraisal.

**(6) Design and Construction Planning..... \$1,530,000**

*We recommend approval of funds for design and construction planning in the increased amount of \$1,922,000, because it is more cost-effective to accomplish general plan work with departmental staff.*

The budget requests \$1,530,000 for transfer to the department's support budget (Item 3790-001-001) where it will be used to fund the staff working on various aspects of development projects.

Under our discussion of general plan contracting—schedule (25) in this item—we point out that hiring additional staff is a more cost-effective alternative than contracting for these services. In accordance with our recommendation on the request for contract funds, we recommend an augmentation of \$392,000 for design and construction planning by departmental staff in lieu of the \$720,000 requested for general plan contracting, for a net savings of \$328,000.

**(7) Malibu Creek SP—Acquisition ..... \$970,000**

*We withhold recommendation on \$970,000 requested for acquisition at Malibu Creek SP, pending receipt and review of the property appraisal.*

The budget proposes \$970,000 to acquire approximately 136 acres for addition to Malibu Creek SP. The proposed acquisition consists of 19 separate parcels as follows:

- 16 parcels (120 acres) in Bulldog Canyon adjacent to the western boundary of the park.
- Two inholdings (9 acres) facing on Mulholland Drive.
- One parcel (7 acres) facing Las Virgenes Road on the park's eastern boundary which was acquired by the Santa Monica Mountains Conservancy at less than market value in the current year.

The department indicates that the proposed additions will protect significant viewshed and buffer the park from surrounding uses.

At the time this analysis was prepared, the DGS had not completed the appraisal of the property. Without this information, we have no basis for making a recommendation on the proposed acquisition. Further, it is our understanding that the budget estimate does not include any funds for one of the parcels which the department proposes to purchase.

We withhold recommendation on the \$970,000 requested for additions to Malibu Creek SP, pending receipt and review of the appraisal for all 19 parcels.

**(8) Manchester SB—Acquisition ..... \$220,000**

*We withhold recommendation on \$220,000 requested for acquisition for Manchester SB, pending receipt and review of the property appraisal.*

The department requests \$220,000 for the acquisition of approximately 37 acres as an addition to Manchester SB. The proposed acquisition is adjacent to the southwest boundary of the park and would preserve the coastal sand dunes and related ecosystem, and provide additional beach access and recreation opportunities.

The proposed acquisition appears reasonable from a programmatic perspective. However, at the time this analysis was prepared, the appraisal of the property had not been completed. Without this information, we have no basis for making a recommendation on the amount requested. Accordingly, we withhold recommendation on the \$220,000 requested for acquisition at Manchester SB, pending receipt and review of the property appraisal.

**(9) Manresa SB—Campground and Beach Access,**

**Construction ..... \$1,654,000**

*We recommend that the Legislature reduce by \$84,000 the amount budgeted for construction of a campground and beach access at Manresa SB, because (1) the department has double-budgeted for campsite furniture, and (2) the request includes architectural and engineering fees which are not justified.*

The budget proposes \$1,654,000 for construction of a 63-site walk-in campground at Manresa SB in Santa Cruz County. The project also includes access roads and a parking lot, three comfort stations, blufftop overlook points, and trails to allow beach access for handicapped and senior citizens. The Legislature provided \$144,000 for working drawings and agency-retained work for this project in the 1985 Budget Act.

*Furniture double-budgeted.* The requested amount includes

**DEPARTMENT OF PARKS AND RECREATION—CAPITAL OUTLAY—Continued**

\$1,522,000 for construction to be accomplished by the Office of State Architect (OSA), and \$132,000 for equipment and other department-retained items of work. Both the OSA amount and the department's equipment amount include funds for campsite furniture. Thus, the department has budgeted twice for these items of equipment. Accordingly, we recommend a reduction of \$74,000 to eliminate double-budgeting of campsite furniture.

**Unjustified fees.** The department's proposal includes architectural and engineering fees which equal 16.5 percent of the estimated construction contract cost. The State Administrative Manual generally limits fees to 13 percent of estimated construction contract cost unless the OSA justifies a greater amount. As part of its justification for the higher fees, the OSA indicates that \$10,000 is needed because four new building schemes will exceed average complexity. The four buildings in question are based on *standard* department plans, and should not require excessive design time. Consequently, we recommend deletion of the \$10,000 included for "complex design requirements." (The remainder of the additional fees appears to be justified.)

In summary, we recommend that the Legislature reduce by \$84,000 the amounts budgeted for construction of a campground and beach access at Manresa SB, in order to delete funds for double-budgeted furniture and unjustified fees. We recommend approval of the remaining \$1,570,000 requested for this project.

**(10) Monterey SB—Window-on-the-Bay, Acquisition ..... \$3,165,000**

*We withhold recommendation on \$3,165,000 requested for acquisition at Monterey SB, pending receipt and review of (1) the property appraisal and (2) information on the amount that the City of Monterey paid for the property.*

The budget proposes \$3,165,000 for the acquisition of 1.7 acres for addition to Monterey SB. The City of Monterey already has purchased the property as part of a larger project to remove old buildings between Del Monte Avenue and the existing state beach property. The purpose of the project is to open a "window on the bay" and improve shoreline access.

The Legislature provided \$3.5 million to the State Coastal Conservancy in the current year to acquire either the city-owned property or other adjacent property, with the intent that the department would purchase the property from the conservancy within three years. Under the budget-year proposal, the department would acquire the property directly from the city, rather than go through the conservancy. (In our analysis of the Coastal Conservancy's capital outlay budget we recommend reversion of the \$3.5 million appropriated in the current year.)

At the time this analysis was prepared, no appraisal of the property was available for our review. Without this information, we are unable to evaluate fully the department's request. In addition, the department could not identify the exact price that the city had paid for the property. The 1985 Budget Act requires that the purchase price for any land bought from the city shall be the *lesser* of the appraised value or the price paid by the city. We believe that the Legislature should reaffirm that policy.

We withhold recommendation on the \$3,165,000 requested for acquisition at Monterey SB, pending receipt and review of the property appraisal and further information on the city's purchase price.

**(11) Old Sacramento SHP—Walnut Grove Excursion Line,  
Acquisition ..... \$1,270,000**

*We withhold recommendation on \$1,270,000 requested for further acquisition for the Walnut Grove excursion line from Old Sacramento SHP, pending receipt and review of the property appraisal.*

The department requests \$1,270,000 for the acquisition of approximately 7.1 miles of the Walnut Grove branch line in order to extend the excursion railroad service which operates from Old Sacramento SHP. The Legislature provided \$1,988,000 in the 1985 Budget Act to acquire that portion of the branch line from Old Sacramento south to Sutterville Road. The funds proposed for the budget year would fund the purchase of the branch line between the towns of Freeport and Hood. The Sacramento Regional Transit District owns the portion of the line between Sutterville Road and Freeport. The department indicates it will enter into an agreement with the transit district to use this portion of the line. The terms and costs of this agreement have not been finalized yet.

The purpose of the project is to allow the department to run an excursion train service in conjunction with the California State Railroad Museum in Old Sacramento. Since 1982, the department has been running limited service between Old Sacramento and Miller Park during the summer months using volunteer help. The current-year acquisition will extend the service to Land Park during the coming summer. The proposed budget-year acquisition and the use agreement with the transit district would extend service to Hood Junction at some future date. However, prior to the extension of service south of Land Park, approximately \$2 million in repair work must be done to the right-of-way.

At the time this analysis was prepared, the appraisal of the property was not available for our review. Without this information, we are unable to evaluate the project fully and advise the Legislature on the proposal. Accordingly, we withhold recommendation on the \$1,270,000 requested for further acquisition on the Walnut Grove branch line, pending receipt and review of the property appraisal.

**(12) Old Sacramento SHP—Waterfront Development,  
Construction ..... \$1,336,000**

*We withhold recommendation on \$1,336,000 requested for development of the waterfront at Old Sacramento SHP, pending review of partially completed working drawings and revised cost estimates.*

The budget requests \$1,336,000 for the construction phase of waterfront development at Old Sacramento SHP. The department proposes to cut down a portion of the retaining wall along the Sacramento River, and develop a natural sloping bank to resemble conditions which existed around 1850. The work will be accomplished by the City of Sacramento under a development agreement with the department.

The Legislature provided \$178,000 to fund planning and working drawings for this project in the 1985 budget Act. The amount requested in the budget for construction, however, is not based on the plans done in the current year. Rather, the request is based on estimates contained in the city's master plan for Old Sacramento, which was completed three years ago. We do not believe that the master plan estimates provide an adequate basis for requesting construction funds.

At the time this analysis was prepared, the city had just concluded negotiations with a design firm for the preparation of working drawings.

**DEPARTMENT OF PARKS AND RECREATION—CAPITAL OUTLAY—Continued**

The department indicates that working drawings should be completed by June 1986. Further, the city's contract provides for updated project estimates when working drawings are 25, 50, 75 and 100 percent complete. Thus, partially completed working drawings and updated estimates should be available in time for hearings on the department's budget. Accordingly, we withhold recommendation on the \$1,336,000 requested for waterfront development at Old Sacramento SHP, pending receipt and review of partially completed working drawings and updated estimates.

**(13) Oxnard SB—Day-Use Facilities, Construction ..... \$600,000**

*We recommend that the Legislature delete \$600,000 requested for construction of day-use facilities at Oxnard SB because the project is a local responsibility. We further recommend that the Legislature delete Provision 1 of Item 3790-301-722 in order to eliminate language related to this project.*

The department requests \$600,000 as the state's contribution toward the cost of constructing day-use facilities at Oxnard SB. The department indicates that the City of Oxnard will provide the balance of the amount needed for development from local funds, as well as from state and federal grants. The exact amount which the city will provide is not clear because information provided by the department includes two different total project costs—\$1.8 million and \$3 million. The proposal is based on the Oxnard SB General Plan which was developed by the city.

*Project is local in nature.* The general plan for Oxnard SB specifies that (1) the city is responsible for *developing, maintaining, and operating* Oxnard SB, and (2) development will be funded from local sources and grants. Consequently, the request for state capital outlay funds for the project is in conflict with the general plan. Further, the proposed development appears to address local needs and concerns, rather than statewide or regional needs. For example, the project includes (1) only 18 family picnic sites, while providing 3 group picnic areas with seating for 100 persons at each site, (2) a large open turf area for playing fields, and (3) an exercise/jogging course around the park perimeter. In fact, during the State Park and Recreation Commission hearing on the proposed Oxnard SB general plan in October 1984, the city indicated that (1) it would develop the park, and (2) its proposed general plan should be adopted as presented because there was no other land available within the city for a city recreational park.

Given the provisions of the general plan, the commitments made by the city, and the nature of the proposed development, we see no reason to provide state capital outlay funds for construction at Oxnard SB. We recommend that the Legislature delete (1) the \$600,000 requested for this purpose and (2) language relating to this project (Provision 1 of Item 3790-301-722).

**(14) Palomar Mountain SP—Acquisition ..... \$280,000**

*We withhold recommendation on \$280,000 for acquisition at Palomar Mountain SP, pending receipt and review of the property appraisal.*

The budget proposes \$280,000 for acquisition of approximately 22 acres adjacent to the southern boundary of Palomar Mountain SP in San Diego County. The department indicates that the acquisition will result in a more rational and manageable park boundary and will protect the park entrance from visual intrusion.



At the time this analysis was prepared, the Department of General Services had not completed its appraisal of the property. Without this information, we are unable to evaluate fully the department's request. We withhold recommendation on the \$280,000 for acquisition at Palomar Mountain SP, pending receipt and review of the property appraisal.

**(15) Patrick's Point SP—Native American Village, Construction .... \$243,000**

*We recommend that the Legislature reduce by \$36,000 the amount budgeted for construction at Patrick's Point SP, because (1) the amounts requested for contingency and fees were not reduced when certain items of work were deleted from the construction contract, and (2) the request includes funds for items of equipment which should be funded from the department's support budget.*

The department requests \$243,000 for partial construction of a northcoast Indian village on East Meadow in Patrick's Point SP, Humboldt County. This request would provide for the completion of work which was funded partially by the Legislature in the current year.

**Contingency and fees not adjusted.** The department's request includes agency-retained funds to construct dressing areas for Indian dance ceremonies. The dressing areas originally were included in the portion of the work which was to be accomplished by the OSA. When these items of work were deleted from the OSA contract, the amounts for OSA construction contingency and architectural/engineering fees were not reduced accordingly. Because OSA will not accomplish this portion of the work, we recommend a reduction of \$21,000 to delete associated construction contingency and fees.

**Support-related equipment.** The department's request also includes \$15,000 to purchase a pick-up truck and two radios. These items of equipment are related directly to the operation of the proposed development. Therefore, the department should request funds for this equipment in its support budget when it requests other funds for the operation of this development. We recommend that the \$15,000 for equipment be deleted from this request.

In summary, we recommend that the Legislature reduce the project budget by \$36,000 to eliminate funds for (1) overbudgeted contingency and fees, and (2) equipment that should be financed from the department's support budget. An updated estimate of project costs based on completed working drawings may be available prior to the conclusion of budget hearings. Should the updated estimate indicate the need for a different construction amount, we will modify our recommendation accordingly.

**(16) Pfeiffer Big Sur SP—Multi-Agency Facility,  
Working Drawings ..... \$50,000**

*We recommend that the Legislature delete \$50,000 requested as the department's share of the design for a new multi-agency facility at Pfeiffer Big Sur SP, because the general plan for the park required by existing law has not been completed. We further recommend that the department report during budget hearings on why it proposes to fund this project instead of other projects to which it has assigned a higher priority.*

The budget proposes \$50,000 to pay the department's share of preliminary planning and working drawings for a new multi-agency facility at Pfeiffer Big Sur SP in Monterey County. The project contemplates that

**DEPARTMENT OF PARKS AND RECREATION—CAPITAL OUTLAY—Continued**

the department, the U.S. Forest Service, and the California Department of Transportation (Caltrans) will share the costs of designing and constructing one facility which the three agencies will jointly occupy. The department indicates that Caltrans and the U.S. Forest Service will provide \$140,000 and \$180,000, respectively, for the design work. The total estimated project cost is \$4.5 million, of which \$750,000 is the department's share.

The project would be located on state-owned property (six acres owned by the department and one acre owned by Caltrans) along State Highway 1. Currently, the department has no facilities at this location. The Forest Service occupies a portion of the department's property, and Caltrans has some facilities on its property.

**General plan not adopted.** The Public Resources Code requires that the department prepare a general plan for any park unit *before* undertaking permanent new development at the unit. The general plan serves as a guide for the future development, management, and operation of the unit. Existing law also requires that the State Parks and Recreation Commission approve proposed general plans.

No general plan has been prepared or approved for Pfeiffer Big Sur SP. The Legislature did provide \$185,000 in the current year to finance a contract with a private consultant for the preparation of a general plan for the unit. However, at the time this analysis was prepared, the department had not issued a request for proposals to do the work. Further, the department indicates that the general plan probably will not be completed until 1989.

Consequently there is no assurance at this time that the new facility will conform with the plan which ultimately is adopted for this unique and environmentally sensitive unit. Accordingly, we recommend that the Legislature delete the \$50,000 requested for design of the multi-agency facility.

**Bond priority categories.** The 1984 Bond Act requires the department to prioritize projects which are nominated for funding from bond proceeds. The department has divided nominated projects into four categories.

The Pfeiffer Big Sur project has been placed in Category II by the department. Yet, many of the projects which the department has included in priority Category I have not been funded. We recommend that the department report during budget hearings on its rationale for funding this project in advance of other work that it considers to have higher priority.

**(17) Point Sur Lighthouse—Phase I Immediate Public Use Improvements, Working Drawings and Construction ..... \$225,000**

*We recommend approval.*

The budget proposes \$225,000 for the first phase of immediate public use improvements at Point Sur Lighthouse in Monterey County. The funds would be used to improve and repair buildings and support facilities, and to provide temporary comfort facilities.

The department assumed responsibility for the operation and maintenance of the light station from the federal government in October 1984. The site has been open for limited guided tours since August 1985. The proposed improvements will allow increased public access to the light station. The department indicates that it will request additional funds for

further improvements in 1987-88. We believe the project is desirable and the estimated costs are appropriate.

**(18) Preliminary Planning ..... \$125,000**

*We recommend approval.*

Each year, the department requests funds to reimburse the Office of State Architect for the preparation of preliminary plans and cost estimates needed for capital outlay budget requests. Our review indicates that the amount requested for this purpose in 1986-87 is reasonable.

**(19) Rehabilitation and Replacement of Worn Out Facilities .....\$5,315,000**

The budget requests a total of \$5,315,000 to rehabilitate five park units in the budget year. The proposed projects vary from improvements to a water system to complete renovation of campgrounds. Each of these projects and our recommendations are discussed below.

**(a) D. L. Bliss SP—Campground .....(\$1,502,000)**

*We recommend approval.*

The budget proposes \$1,502,000 to rehabilitate campground facilities at D. L. Bliss SP at Lake Tahoe. The project includes the restoration or remodeling of three comfort stations, replacement of seven comfort stations and the entrance kiosk, installation of a trailer dump station, expansion of the park office, and related utility work. The facilities at the park are in need of renovation, and the amount requested appears reasonable.

**(b) Doheny SB—Campground .....(\$1,533,000)**

*We recommend that the Legislature reduce by \$75,000 the amount budgeted for campground rehabilitation at Doheny SB to eliminate architectural and engineering fees which are not justified.*

The department requests \$1,533,000 to renovate the campground at Doheny SB in Orange County. The project involves the relocation and repaving of campsites and circulation roads, reconstruction of comfort stations, and upgrading of utilities.

The requested amount includes architectural and engineering fees which equal 24.9 percent of the estimated construction contract cost. The State Administrative Manual generally limits fees to 13 percent of contract cost unless the Office of State Architect (OSA) justifies a greater amount. As part of its justification for the higher fees, the OSA indicates that \$20,000 is needed for surveys of the park, and \$55,000 is needed for full-time construction inspection and supervision (rather than normal half-time services).

The department indicates that it is spending \$15,000 of current-year funds to do the survey work at the park. Consequently, the additional \$20,000 is not needed in the budget year. Further, we see no reason for providing additional construction inspection and supervision for this project. The project is similar to many other park projects where the OSA is providing the standard level of services. We, therefore, recommend that the Legislature delete the additional \$55,000 requested for increased inspection services.

In summary, we recommend reductions totaling \$75,000 to eliminate unjustified architectural and engineering fees.

**DEPARTMENT OF PARKS AND RECREATION—CAPITAL OUTLAY—Continued**

**(c) Gaviota SP—Campground and Day Use ..... (\$1,651,000)**

*We recommend approval.*

The department requests \$1,651,000 to rehabilitate the campground and day-use facilities at Gaviota SP in Santa Barbara County. The existing facilities were constructed by the county in the 1930's and 1940's. The project provides for the renovation of 59 existing campsites, bicycle camp and the day-use parking area, the addition of 11 new campsites, replacement of entrance and comfort stations, and correction of drainage problems. The proposed work is consistent with the approved general plan for the unit.

**(d) MacKerricher SP—Water System ..... (\$200,000)**

*We withhold recommendation on \$200,000 requested for improvements to the water system at MacKerricher SP, pending clarification by the department on how the funds will be spent.*

The budget proposes \$200,000 under the rehabilitation program to make improvements to the water system at MacKerricher SP in Mendocino County. The water at the park has a high degree of turbidity, and the department indicates that improvements to the system are necessary to meet public health requirements.

The department's proposal identifies two alternatives for upgrading the system. One option is to connect the park with the Fort Bragg water system. The other alternative is to improve the existing water treatment facility at the park. The department indicates that both alternatives would cost approximately the same amount, but no supporting cost information has been submitted for either alternative. We agree that the water system at MacKerricher should be upgraded. However, we withhold recommendation on the \$200,000 requested for water system improvements, pending identification by the department of the selected alternative and the associated costs.

**(e) S. P. Taylor SP—Campground ..... (\$429,000)**

*We recommend approval.*

The budget requests \$429,000 for improvements to the campground at S. P. Taylor SP in Marin County. The project provides for the regrading and relocation of 58 campsites, construction of a trailer sanitation station, upgrading of utilities, road improvements and fencing. The project appears reasonable in scope and cost.

**(20) San Diego Coast State Beaches (Torrey Pines)—**

**Day-Use Access and Overnight Facilities, Construction..... \$1,757,000**

*We recommend that the Legislature reduce by \$60,000 the amount budgeted for construction of day-use and overnight facilities at Torrey Pines SB to eliminate unjustified architectural and engineering fees.*

The department requests \$1,757,000 for construction of day-use access and overnight facilities at Torrey Pines SB (part of the San Diego Coast State Beaches). The project includes the paving of an existing dirt parking lot for 270 vehicles, modifications to an existing paved lot to provide en-route overnight camping facilities for 114 recreational vehicles, provision of contact and comfort stations, and related site and utility work.

*Unjustified fees.* The department's proposal includes architectural

and engineering fees which equal 21.3 percent of the estimated construction contract cost. The State Administrative Manual generally limits fees to 13 percent of cost unless the Office of State Architect (OSA) justifies a greater amount. As part of its justification for the higher fees, the OSA indicates that \$60,000 is needed to provide full-time construction inspection and supervision (rather than the standard half time services).

We see no reason for providing additional construction inspection and supervision for this project. The project is similar to many other park projects where the OSA is providing the standard level of services. We, therefore, recommend that the Legislature delete the additional \$60,000 requested for this purpose.

**(21) Santa Cruz Mission SHP—Phase III Neary-Rodriguez**

**Adobe, Reconstruction ..... \$1,190,000**

*We recommend that the Legislature delete \$1,190,000 requested for the third phase of reconstruction of the Neary-Rodriguez Adobe at Santa Cruz Mission SHP, because the request is not based on the results of the previous phases of work as required by the Legislature.*

The budget proposes \$1,190,000 for restoration work on the Neary-Rodriguez Adobe at Santa Cruz Mission SHP. The request would fund the third and final phase of restoration work on the adobe. The Legislature provided \$112,000 in the 1984 Budget Act for archeological investigations and historical research needed for the eventual restoration of the building. In the current year, the department received funds for the second phase of the work which included (1) the preparation of construction documents based on verifiable evidence documented in phase I, (2) partial reconstruction and demolition of those areas requiring more research, and (3) agency-retained work related to the project.

The department has been involved in similar restoration projects in prior years. These types of projects often experience serious cost overruns due to delays, underestimates or mistakes in the initial construction work. These problems frequently stem from the lack of sufficient information on the condition of the building when construction funds are appropriated. One of the reasons for phasing *this* project was to provide sufficient funds and time for detailed research on the condition of the Neary-Rodriguez Adobe, so that (1) the restoration would be historically accurate and (2) construction plans and estimates would reflect the true needs of the project.

As indicated above, the current-year appropriation provides funds for the preparation of construction documents. The *Supplemental Report of the 1985 Budget Act* requires that the documents be based on *verifiable evidence from phase I* of the restoration project. The amount requested in the budget, however, is *not* based on completed construction documents which take into account the phase I evidence. Rather, the amount represents the department's preliminary estimate based on its experience with a similar project at Monterey SHP. The department has been unable to indicate when the construction documents for the adobe will be completed.

Further, there is a \$209,000 discrepancy between the Office of State Architect's estimate and the department's requested amount. The department has not been able to explain this discrepancy.

Given the phased approach and the state's investment in research on this project, we believe any construction request should be based on the actual condition of the Santa Cruz adobe, not the department's experience

**DEPARTMENT OF PARKS AND RECREATION—CAPITAL OUTLAY—Continued**

with a similar project. Until a verified estimate is available, approval of construction funds for the project would be premature. Accordingly, we recommend that the Legislature delete the \$1,190,000 requested for the third phase of work at Santa Cruz Mission SHP.

**(22) Silver Strand SB—Campground Development**

**Working Drawings ..... \$264,000**

*We recommend that the Legislature reduce by \$24,000 the amount budgeted to fund working drawings for campground development at Silver Strand SB in order to delete funds for agency-retained work which will not be accomplished in the budget year.*

The department requests \$264,000 for working drawings for a new campground development at Silver Strand SB in San Diego County. The project would provide 189 family campsites, a bike camp, three group camp areas, and related structures and development work. The proposed development would be located east of State Highway 75 on property which is leased on a long-term basis from the United States Navy.

The department's proposal would help to address the need for additional coastal camping opportunities along the south coast. The department's general plan for the area also includes the future development of a boat launching area. This work is not included in the department's present proposal.

The scope of the proposed project appears reasonable. However, the amount requested for the budget year includes funds for certain agency-retained work which the department indicates will not be done in 1986-87. Consequently, we recommend that the Legislature delete the \$24,000 requested for this purpose. We recommend approval of working drawing funds in the revised amount of \$240,000.

**(23) South Carlsbad SB—Administrative, Maintenance and**

**Day-Use Facilities, Working Drawings ..... \$231,000**

*We withhold recommendation on \$231,000 requested to fund working drawings for new facilities at South Carlsbad SB, pending the receipt of project plans and estimates. We recommend that the department report during budget hearings on why it proposes to use bond funds for administrative and maintenance facilities when demands for recreational facilities have not been met.*

The budget proposes \$231,000 for working drawings for administrative, maintenance and day-use facilities at South Carlsbad SB in San Diego County. The department's proposal includes a 400-car day-use parking lot with comfort stations and beach access at the south end of the beach, and an administrative and maintenance center at the north end. The administrative and maintenance center would serve the entire San Diego Coast District.

*Plans and estimates not available.* At the time this analysis was prepared, the Office of State Architect had not completed plans or estimates for this project. Without this information we are unable to comment on the appropriateness of the department's request. We, therefore, withhold recommendation on \$231,000 requested for working drawings, pending receipt of completed plans and estimates.

*Use of bond funds.* The 1984 Bond Act includes legislative findings and declarations that a program must be implemented to meet existing

and projected *recreational demands* which have not been addressed, particularly in urban, coastal areas of the state. This project would use 1984 bond funds to provide, in part, new administrative and maintenance facilities for the San Diego Coast District. It is not clear that these aspects of the project meet the intent of the bond act. At the same time, the department has identified other projects which would provide direct recreational benefits to the public, including campground development at this same location. The department, however, has not requested funds for these projects. We recommend that the department report during budget hearings on why it proposes to use 1984 bond funds for aspects of a project which do not address directly unmet recreational needs.

**(24) Stanford House SHP—Historic Preservation,  
Working Drawings ..... \$332,000**

*We recommend that the Legislature reduce by \$52,000 the amount budgeted to fund working drawings for the restoration of the Stanford House, in order to reflect the project scope as revised by the department.*

The budget proposes \$332,000 for working drawings for the historic preservation of the Stanford House SHP. The funds would be used for structural and building surveys and for the preparation of working drawings for the historic restoration of the building. The Legislature provided \$98,000 for related work in the current year.

The amount included in the budget is based on a project estimate prepared by the Office of State Architect in May 1985. Since that time, the department has reexamined the proposal, and has reduced the scope of the project. The department indicates that a total of \$280,000 should be sufficient to do the survey work and complete working drawings. We recommend that the Legislature delete the remaining \$52,000 since the funds are not needed for this phase of the work.

**(25) General Plan Contracting ..... \$720,000**

*We recommend that the Legislature delete this appropriation because the department has identified a more cost-effective method of developing general plans. In lieu of the appropriation, we recommend that the Legislature augment the amount budgeted for design and construction planning (Item 3790-301-722(6)) by \$392,000 to accomplish this same work using department staff, for a net savings of \$328,000.*

The budget proposes \$720,000 for the department to use in contracting for the development of four general plans for state park units. A general plan defines the proposed land uses, facilities, and concessions for a park unit, and addresses the operation of the unit and the management of its resources. The document is used as a guide for the future development, management, and operation of the unit. The Public Resources Code requires the department to prepare a general plan for a park unit before any permanent new development can be undertaken at the unit.

In January 1985, the Auditor General issued a report which criticized the department's record in the preparation of general plans. The report cited the lack of plans for many of the department's units, delays in the development of many units which lack general plans, the department's methods of scheduling work on general plans, and the budgeting of staff resources to accomplish the work. The department's proposal is intended, in part, to address the deficiencies identified in the Auditor General's report.

**Department's proposal.** The amount requested in the budget is

**DEPARTMENT OF PARKS AND RECREATION—CAPITAL OUTLAY—Continued**

based on the department's estimate of how much time a consultant would have to spend on four "average" general plans in order to accomplish the work which would be done otherwise by the Development Division. The department's proposal does not identify four specific plans to be done by private consultants. Rather, the department indicates it will use the funds to contract for pieces of work on many general plans.

**More cost-effective alternative identified.** The department's proposal identifies several alternatives for completing more general plans, including the hiring of additional departmental staff. The proposal indicates that establishing eight additional positions would provide the same capabilities in-house that using \$720,000 in contract funds would provide. The staffing alternative, however, would cost \$392,000—only 54 percent of the amount it would cost to contract for the same work.

The department's proposal states that "(m)aintaining a trained technical staff of civil servants, responsible to the Administration and the Legislature, is the most effective means of achieving program goals." The department indicates that contracting is preferable, however, because the time involved in hiring and training staff will result in low productivity during the first year.

While it may take several months to hire and train new staff, issuing requests for proposals and selecting contractors also are time-consuming tasks. Further, the department admits that the general plan backlog is not a short-term problem. In fact, the department will submit a *multi-year* plan for addressing the general plan backlog to the Auditor General by July 1986. The time spent hiring and training new staff would be a one-time cost, whereas the process of soliciting and selecting contractors would be a yearly task. Given the difference in cost between the two alternatives and the multi-year nature of the problem, hiring departmental staff is obviously the more cost-effective method of completing more general plans.

Accordingly, we recommend that the Legislature delete the \$720,000 requested in this item for general plan contracting, and augment by \$392,000 the amount provided under design and construction planning (Item 3790-301-722(6)) in order to fund eight staff positions to do this work in the budget year, for a net savings of \$328,000.

**(26) Inholding Purchases ..... \$500,000*****We recommend approval.***

The department requests \$500,000 to acquire properties which are totally or substantially enclosed within existing state park holdings. These parcels often present significant problems for park operations. The amount requested is consistent with prior appropriations for this purpose.

**(27) Interpretive Artifacts and Exhibit Rehabilitation ..... \$250,000*****We recommend approval.***

The department requests \$250,000 for exhibit rehabilitation work in the budget year at the following locations:

- **Sutter's Fort SHP (\$215,000).** Funds will be used to research, plan, and rehabilitate exhibits. The exhibits also will be moved to a location near the fort entrance, so that visitor orientation occurs at the beginning of the tour.
- **Sherman Adobe, Monterey SHP (\$35,000).** New exhibits will be



developed to interpret the Sherman Adobe, as well as the adjacent Larkin House.

Many of the interpretive exhibits at park units around the state are old, outdated, or in need of major repairs. The Legislature provided funds in the 1985 Budget Act for the rehabilitation of exhibits at Fort Tejon SHP and Torrey Pines State Reserve.

We agree that significant rehabilitation work needs to be done on interpretive exhibits at state park units. The projects proposed for the budget year appear reasonable and we recommend that the Legislature approve funding for them.

**(28) Opportunity Purchases..... \$500,000**

*We recommend approval.*

The budget requests \$500,000 for the acquisition of small properties which may become available on an opportunity basis in 1986-87. Our review indicates that the request is justified.

**(29) Stewardship Program—Natural Resources, Minor Projects....\$2,050,000**

*We recommend approval.*

The budget proposes \$2,050,000 for 47 minor projects to protect, rehabilitate, restore, and enhance the basic natural systems and outstanding scenic features of various state park units. The projects include erosion control measures, restoration and improvement of critical plant and animal habitats, and removal and control of exotic species.

The 1984 Bond Act allocates a total of \$5,000,000 to natural resources stewardship activities. The 1985 Budget Act appropriated \$1,946,000 of this amount for 40 stewardship projects. This proposed appropriation would leave \$1,014,000 for stewardship activities in future years.

The proposed work appears appropriate in scope and cost.

**(30) Topographic Survey Needs..... \$250,000**

*We recommend approval.*

The department requests \$250,000 in 1984 bond funds to contract with other state agencies and private consultants for topographic surveys which are necessary for the design and execution of capital outlay projects funded from the bond funds. The funds would be used for surveys for projects proposed for funding in 1986-87, as well as anticipated future projects. The department has identified 20 projects which will require survey work in the budget year, and estimates that, on average, the surveys will cost between \$10,000 and \$15,000 each. We believe the proposed amount is reasonable.

**(31) Torrey Pines SR—Los Penasquitos Lagoon, Acquisition..... \$2,012,000**

*We withhold recommendation on \$2,012,000 requested for acquisition at Torrey Pines State Reserve (SR), pending (1) clarification of the total proposal, and (2) receipt and review of the property appraisal.*

The budget proposes \$2,012,000 to acquire approximately 200 acres of Los Penasquitos Lagoon for addition to Torrey Pines SR in San Diego County. The department identifies the lagoon as a vital resource and a prime example of a remaining estuarine wetland that needs to be protected. The state already owns the southwesterly portions of the lagoon.

The department indicates that the proposed acquisition is part of a larger acquisition totaling 242 acres involving the City of San Diego and

**DEPARTMENT OF PARKS AND RECREATION—CAPITAL OUTLAY—Continued**

the State Coastal Conservancy. However, it is not clear who will acquire what portions of the property, how the value of the subparcels was determined, or what the total cost of the transaction will be.

Further, at the time this analysis was prepared, no appraisal of the property was available. Without this information, we are unable to comment on the appropriateness of the department's request.

Accordingly, we withhold recommendation on the \$2,012,000 for acquisition at Torrey Pines SR, pending (1) clarification of the total proposal, and (2) receipt and review of the property appraisal.

**(32) Volunteer Program—Minor Projects ..... \$1,000,000**

*We recommend that the Legislature delete \$1 million requested for minor projects related to the department's volunteer program because the department has not identified how the funds will be spent.*

The department requests \$1 million for minor projects to be accomplished through volunteer programs at park units around the state. The request is identified as the second phase of a three-year program.

The department indicates that the funds would be used to provide staff supervision and materials for projects which encourage and utilize volunteer efforts. The department, however, has not identified the scope and cost of specific projects to be accomplished, or even what park units will receive funds under the program. Without this information, we are unable to evaluate the need for, or appropriateness of, the requested funding.

Furthermore, it is not clear how the department is spending the \$1,000,000 which it received for this same purpose in the 1985 Budget Act. In September 1985, the Department of Finance and our office requested the department to report on what was being accomplished with these funds. At the time this analysis was prepared, the information still had not been provided, and the department could not indicate when it would be available.

We recommend that the Legislature delete \$1 million requested for volunteer program minor projects, because the department has not identified how the funds will be spent.

**(33) Wilder Ranch SP—Campground and Day-Use, Working Drawings ..... \$294,000**

*We withhold recommendation on \$294,000 requested to fund working drawings for campground and day-use facilities at Wilder Ranch SP, pending (1) receipt of plans and estimates from the Office of State Architect, and (2) the department's report on relative priorities for funding from bond funds.*

The department requests \$294,000 for the preparation of working drawings for new campground and day-use facilities at Wilder Ranch SP in Santa Cruz County. The proposed project includes 112 campsites, 20 picnic sites, roads and parking lot, comfort stations, campfire center and beach access.

**Budget package not available.** At the time this analysis was prepared, the Office of State Architect has not completed the budget package for this project. Without the project plans and estimates we have no basis for evaluating the appropriateness of the department's proposal. Further, it is our understanding from discussions with department staff that the project scope may be revised substantially from the preliminary informa-

tion submitted to the Legislature, in order to reduce the overall cost of the project.

**Bond priority categories.** The 1984 Bond Act requires the department to prioritize projects which are nominated for funding from bond proceeds. The department has divided nominated projects into four categories. This project has been placed in Category II by the department. Many of the projects which the department has included in priority Category I have not been funded. Thus, it is not clear why the department is proposing to fund work in a lower priority category. We recommend that the department report prior to budget hearings on its rationale for funding this project before other work to which it has assigned a higher priority.

We withhold recommendation on the \$294,000 requested for working drawings for camping and day-use facilities at Wilder Ranch SP, pending (1) receipt and review of the final budget package, and (2) the department's report on relative project priorities.

**(34) Wilder Ranch SP—Phase II Historic Restoration ..... \$1,119,000**

*We withhold recommendation on the \$1,119,000 requested for restoration and development work at Wilder Ranch SP, pending receipt of the department's report regarding (1) arbitrary funding limits, and (2) relative priorities for funding from 1984 bond funds.*

The budget requests \$1,119,000 in 1984 bond funds for the second phase of a four-phase restoration project at Wilder Ranch SP in Santa Cruz County which is intended to demonstrate how dairy ranches operated at the turn of the century. The Legislature provided \$255,000 for working drawings and agency-retained work for the project in the current year.

The department indicates that the budget-year funds will be used for the following work:

- Construction of an entrance road, a 74-vehicle parking lot, comfort station, contact station, trails, and related utility and site work.
- Stabilization and restoration of the 1896 Victorian residence and the bunk house/shop building.

**Arbitrary funding limit.** Related cost information submitted by the department in support of the proposal indicates that the full cost of the work identified for the budget year is more than the amount requested in the budget. The amount included in the budget reflects an arbitrary limit set for the project by the administration in allocating 1984 bond funds for the budget year. Rather than fully fund this phase of the project, the department indicates that it will accomplish as much as it can with the available funds.

Setting arbitrary limits on project funding is not an appropriate way to budget capital outlay projects. The department should define the appropriate project scope, and then request the amount of funds necessary to accomplish the project. We recommend that the department report prior to budget hearings on why it has chosen to set an arbitrary funding limit for this project.

**Bond priority categories.** The restoration work included in this project has been placed in priority Category II by the department for 1984 park bond funds. Many of the projects included in priority Category I by the department have not been funded. We recommend that the department report prior to budget hearings on its rationale for funding the restoration portion before other work to which it has assigned a higher priority.

**DEPARTMENT OF PARKS AND RECREATION—CAPITAL OUTLAY—Continued**

We withhold recommendation on the \$1,119,000 requested for the Wilder Ranch restoration, pending receipt of the department's reports.

**STATE, URBAN, AND COASTAL PARK FUND (1976 BOND)****ITEM 3790-301-742**

The department requests \$776,000 from the State, Urban, and Coastal Park Fund for one capital outlay project and project planning activities in 1986-87.

**(1) Design and Construction Planning..... \$570,000**

*We recommend approval.*

The budget requests \$570,000 from the State, Urban, and Coastal Park Fund for transfer to the department's support budget (Item 3790-001-001) where it will be used to fund the staff working on design and construction planning for development projects. The amount requested appears to be reasonable.

**(2) Monterey SHP—Cooper-Molera Adobe, Items to Complete ..... \$206,000**

*We recommend approval of the amount requested for items to complete restoration work at Monterey SHP. We further recommend that the department report during budget hearings on why the Legislature was not notified when it became apparent that the full project scope could not be accomplished with the available funds.*

The department requests \$206,000 for items to complete restoration of the Cooper-Molera Adobe complex at Monterey SHP. The funds would be used to stabilize a two-story barn, demolish a smaller barn, provide for minor site and interpretive work, and accomplish cultural heritage work.

The Legislature has provided nearly \$2.6 million in state funds for restoration work to this complex, including \$1,022,000 in the 1982 Budget Act. In making the 1982-83 request, the department indicated that the funds would provide "for completing restoration of the Cooper-Molera Adobe project." The Legislature adopted language in the *Supplemental Report to the 1982 Budget Act* defining the project scope as *completion of the restoration of the adobe complex*.

The department now indicates that the full restoration was *not* accomplished with the 1982-83 funds. In fact, the department indicates that the \$206,000 requested for the budget year still will not complete *all* restoration work. Rather, the requested amount will fund only those items which directly affect operations and visitation at the park. Additional funds may be requested at some future date to restore the two-story barn and reconstruct the smaller barn.

We see no alternative but to provide the additional \$206,000 that is needed if the adobe complex is to become operational. We note, however, that Section 8.00 of the 1982 Budget Act requires that substantial changes in the scope of all projects funded by the measure be approved in writing by the Department of Finance and that the Joint Legislative Budget Committee be notified in advance of the scope change. To our knowledge, no such approval was obtained, nor was notification provided to the committee in this case. We recommend that the department report during budget hearings on why the Legislature was not informed when it became

apparent that the full project scope could not be accomplished within the amount provided in the 1982 Budget Act.

**FEDERAL TRUST FUND  
ITEM 3790-301-890**

The budget proposes \$750,000 from the Federal Trust Fund for four acquisition projects in 1986-87. These funds are available to the department under the federal Land and Water Conservation Act.

**(1) Anza Borrego Desert SP—Acquisition..... \$50,000**

*We recommend approval of the requested amount. We further recommend that the department report during budget hearings on the status and value of 1,164 acres of land at Anza Borrego Desert SP which have been declared surplus and are available for sale or transfer.*

The budget requests \$50,000 from the Federal Trust Fund to acquire small inholdings at Anza Borrego Desert SP in San Diego County. Under this ongoing program, the Anza Borrego Foundation sells properties to the state at one-half of their market value. The department uses federal funds as a match to acquire these properties from the foundation.

The Legislature has appropriated federal funds for this program in each of the last two budget acts. However, the Legislature adopted language in the 1985 Budget Act specifying that the \$50,000 provided for this purpose was to be funded solely with the proceeds from the sale of surplus properties at Anza Borrego authorized by Ch 1384/84. Chapter 1384 declared surplus four parcels containing approximately 1,164 acres at Anza Borrego which originally had been obtained from the federal government and the State Lands Commission. At the time the Legislature was considering Chapter 1384, the Department of General Services (DGS) indicated that the properties had an estimated value of over \$1 million. A recently completed appraisal by the DGS now places the value at \$215,000.

Given the Legislature's directive to dispose of this surplus property at Anza Borrego, we recommend that the department report during budget hearing on the status of these lands, and on the significant change in the estimated value of the property.

**(2) Big Basin Redwoods SP—Acquisition ..... \$350,000**

*We recommend approval.*

The budget requests \$350,000 in federal funds to purchase properties for addition to Big Basin Redwoods SP in Santa Cruz County. The properties will be purchased from the Sempervirens Fund (a conservation group) at one-half of their fair market value. The Legislature has appropriated funds for this program on a regular basis in prior years.

**(3) California Redwoods Parks—Acquisition ..... \$250,000**

*We recommend approval.*

The budget requests \$250,000 from the Federal Trust Fund to purchase properties for addition to various redwood parks. These properties will be purchased from the Save-the-Redwoods League, also at one-half their fair market value. The Legislature has appropriated funds for this program on a regular basis in prior years.

**DEPARTMENT OF PARKS AND RECREATION—CAPITAL OUTLAY—Continued****(4) Castle Rock SP—Acquisition ..... \$100,000*****We recommend approval.***

The budget includes \$100,000 in federal funds to purchase properties for addition to Castle Rock SP in Santa Cruz County. These properties also will be purchased from the Sempervirens Fund at one-half of their fair market value. The *Supplemental Report to the 1985 Budget Act* provides that the funds appropriated in the 1985 Budget Act for Big Basin Redwoods SP also may be used for Castle Rock SP. This is the first year that a separate appropriation is requested for Castle Rock SP. We recommend that the appropriation be approved.

---



---



---



---



---

**DEPARTMENT OF PARKS AND  
RECREATION—REAPPROPRIATION**

Item 3790-490 from the State  
Beach, Park, Recreational,  
and Historic Facilities (Bond)  
Fund of 1964

Budget p. R 140

**ANALYSIS AND RECOMMENDATIONS****Relocation Assistance**

***We recommend approval of the proposed reappropriation. We further recommend that at the time the Department of Finance requests additional reappropriations, it identify those projects for which funding will revert at the end of the current year.***

The budget proposes the reappropriation of relocation assistance funds for use by the department in the budget year. This assistance is provided to individuals who occupy property purchased by the state.

Specifically, the budget proposes to reappropriate, for a period of three years, the unencumbered balance of a 1980 Budget Act appropriation for relocation assistance from the State Beach, Park, Recreational, and Historic Facilities (Bond) Fund of 1964. These funds were reappropriated previously by the 1983 Budget Act. Budget Bill language provides that the funds would be available for relocation assistance related to any project, regardless of funding source.

Over the past five years, the department has spent an average of about \$200,000 per year from statewide appropriations for miscellaneous relocation costs. (Relocation assistance for specific acquisition projects generally is included in the specific project appropriation.) The amount that would be reappropriated—approximately \$300,000—appears sufficient to cover relocation costs in the budget year.

***Other Reappropriations Will Be Needed.*** Each year, the department proposes numerous reappropriations for projects which have not been completed during the period for which the Legislature makes funds

available. If not reappropriated, the unencumbered balance of the appropriations would revert and no longer be available for these projects.

The Budget Bill, as introduced, does not include these reappropriations. The Department of Finance indicates that a budget change letter will be submitted to add these projects to the reappropriation item. We recommend that, at the time the Department of Finance requests the additional reappropriations, it also identify those projects for which funding will revert as of June 30, 1986.

## SANTA MONICA MOUNTAINS CONSERVANCY

Item 3810 from the Santa Monica Mountains Conservancy Fund

Budget p. R 154

Requested 1986-87 .....	\$599,000
Estimated 1985-86.....	578,000
Actual 1984-85 .....	686,000
Requested increase \$21,000 (3.6 percent)	
Total recommended reduction .....	69,000

### 1986-87 FUNDING BY ITEM AND SOURCE

Item—Description	Fund	Amount
3810-001-941—Support	Santa Monica Mountains Conservancy	\$559,000
Reimbursements	—	40,000
Total		\$599,000

### SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

Analysis  
page

1. Availability of Funds. Recommend that the conservancy and the Department of Finance report during budget hearings on (1) the prospects for selling the Runyon Canyon property, and (2) the amount of funds that will be available in the Santa Monica Mountains Conservancy Fund in 1986-87. 562
2. *Capital Outlay Workload. Reduce Item 3810-001-941 by \$69,000 and 1.3 personnel-years.* Recommend reduction to reflect a decline in workload for capital outlay projects. 564

### GENERAL PROGRAM STATEMENT

Chapter 1087, Statutes of 1979, established the Santa Monica Mountains Conservancy and assigned to it the responsibility for implementing the land acquisition program in the Santa Monica Mountains that was prepared by its predecessor, the Santa Monica Mountains Comprehensive Planning Commission. The conservancy was scheduled to sunset on July 1, 1986, but Ch 1048/85 extended it for four years, until July 1, 1990.

The conservancy purchases lands and provides grants to state and local

**SANTA MONICA MOUNTAINS CONSERVANCY—Continued**

agencies and nonprofit organizations to further the purposes of the federal Santa Monica Mountains National Recreation Area and the state Santa Monica Mountains Comprehensive Plan. It promotes the objectives of these programs by (1) acquiring and consolidating subdivided land, (2) acquiring land for eventual sale or transfer to other public agencies, (3) creating buffer zones surrounding federal and state park sites, and (4) restoring natural resource areas in the same way that the State Coastal Conservancy does. The conservancy has a governing board of nine voting members.

The conservancy, located in Los Angeles, has 9.2 personnel-years of staff in the current year.

**OVERVIEW OF THE BUDGET REQUEST**

The budget requests a total of \$599,000 for support of the conservancy in 1986-87. This amount consists of \$559,000 from the Santa Monica Mountains Conservancy Fund and \$40,000 in reimbursements. As shown in Table 1, the request calls for an increase of \$21,000, or 3.6 percent, above the \$578,000 provided in the current year from the General Fund (\$327,000), the Santa Monica Mountains Conservancy Fund (\$211,000), and reimbursements (\$40,000).

The requested increase reflects no changes other than salary and benefit increases for conservancy staff. The budget does not include additional funding for Merit Salary Adjustments or inflation adjustments to Operating Expenses and Equipment. We estimate that the conservancy will have to absorb approximately \$15,000 in such costs.

**Table 1**  
**Santa Monica Mountains Conservancy**  
**Summary of Expenditures and Funding Sources**  
**1984-85 through 1986-87**  
**(dollars in thousands)**

	<i>Expenditures</i>			<i>Percent Change From 1985-86</i>
	<i>Actual 1984-85</i>	<i>Est. 1985-86</i>	<i>Prop. 1986-87</i>	
Santa Monica Mountains Conservancy .....	\$686	\$578	\$599	3.6%
Funding Sources				
General Fund .....	\$289	\$327	—	-100.0%
Santa Monica Mountains Conservancy Fund .....	211	211	559	164.9
Reimbursements .....	31	40	40	—
Personnel-Years .....	9.4	9.2	9.2	—

**ANALYSIS AND RECOMMENDATIONS****Availability of Funds is Uncertain**

*We recommend that the conservancy and the Department of Finance report during budget hearings on (1) the prospects for selling the Runyon Canyon property and (2) the amount of funds that will be available in the Santa Monica Mountains Conservancy Fund in 1986-87.*

For the first time, the budget proposes to fund the conservancy's support budget entirely from the Santa Monica Mountains Conservancy Fund (SMMCF). In previous years, the conservancy has received support fund-



ing from both the General Fund and the SMMCF.

Last year, we pointed out that a self-financing arrangement for the conservancy would have the following advantages: (1) it would strengthen the incentives for the conservancy to carry out revolving fund projects in an effective and timely manner, (2) it would require the conservancy to consider the ultimate disposition and management of lands it acquires, and (3) it would reduce the need to use state funds for the conservancy's program, thereby allowing the Legislature to use these funds for other high priority needs. (For a more detailed discussion of this issue, please see the *Analysis of the 1985-86 Budget Bill*, p. 578.)

In order for the conservancy to be self-supporting in 1986-87, it must have adequate resources in the SMMCF to cover its anticipated costs.

**Fund Condition.** The budget projects that after providing for the proposed expenditure of \$559,000, the SMMCF will end 1986-87 with a surplus of \$237,000. This estimate assumes that the SMMCF will receive \$1,510,000 in revenues during the *current* year. (No revenues are presumed for 1986-87.) These revenues are anticipated from (1) the sale of property and development rights at Runyon Canyon in the City of Los Angeles (\$1 million), (2) the disencumbrance of a grant (\$60,000), and (3) either (a) the sale of property at the Wilacre Estate (\$400,000) or (b) the sale of the Peter Strauss Ranch to the National Park Service (\$600,000).

The National Park Service recently has informed the conservancy that it will not have sufficient funds to purchase the Peter Strauss Ranch in the current year, due to the effects of the Gramm-Rudman-Hollings Act on its budget. The service does not yet know whether it will be able to buy the ranch in 1986-87.

On the other hand, the conservancy currently estimates that the sale of property and development rights at Runyon Canyon may bring in \$1.5 million, rather than \$1 million.

Our analysis indicates that the budget overestimates expenditures in the current year by \$211,000. Although the budget estimates that the conservancy will spend \$211,000 from the SMMCF for support in 1985-86, these funds actually will come from internal reimbursements associated with capital outlay projects.

Therefore, if the sale of development rights at Runyon Canyon yields \$1.5 million, we estimate that the SMMCF will have a surplus of \$898,000 on June 30, 1987, rather than the \$237,000 shown in the budget. Obviously, the Runyon Canyon sale is crucial to the conservancy's budget plan for 1986-87.

**Runyon Canyon Sale.** In granting approximately \$4.1 million to the City of Los Angeles to acquire 133 acres of land at Runyon Canyon in 1982-83, the conservancy was assured that a portion of the funds would be returned to it because the grant agreement requires the city to transfer up to ten acres of the property and the development rights for the remaining 123 acres to the conservancy. The conservancy currently is negotiating the sale of the 10 acres and the development rights to the City of Los Angeles. At the time this analysis was prepared, the conservancy had not explored any other options for the sale of the land and development rights.

We see no reason why the Runyon Canyon sale cannot take place. Consequently, the proposed funding for 1986-87 appears feasible. Nevertheless, since the availability of adequate funds in the SMMCF in 1986-87 essentially depends on the Runyon Canyon sale, the Legislature should be given an update on that sale prior to acting on the conservancy's budget.

**SANTA MONICA MOUNTAINS CONSERVANCY—Continued**

We therefore recommend that the conservancy and the Department of Finance report during budget hearings on (1) the prospects for selling the Runyon Canyon property, and (2) the resulting amount of funds that will be available in the SMMCF for its support in 1986–87.

**Capital Outlay Workload Declines**

*We recommend that the Legislature delete 1.3 personnel-years and \$69,000 requested from the Santa Monica Mountains Conservancy Fund to reflect decreased capital outlay workload.*

The budget for the conservancy does not request any funds for capital outlay or local assistance in 1986–87.

In the current year, the budget shows that \$19.6 million is available to the conservancy for capital outlay, as well as for grants to local agencies and nonprofit organizations. According to the conservancy, approximately \$2.8 million of this amount will be spent for local assistance and nonprofit grants and \$211,000 will be transferred to the conservancy's support budget. The remaining \$16.6 million is available for capital outlay projects. The budget assumes that these funds will be spent prior to June 30, 1986.

We estimate that the conservancy will not spend all of its available capital outlay funds in 1985–86, and that approximately \$4.5 million will be available for capital outlay projects in 1986–87. This amount represents 38 percent of current-year expenditures for capital outlay projects.

Despite the sharp decline in capital outlay activity, the budget proposes to maintain conservancy staff at the current-year level.

The conservancy indicates that approximately 2.1 personnel-years are being devoted to acquisition projects and facility planning in the current year. Given the reduction in funding available for capital outlay projects in 1986–87, we believe that the appropriate level of staffing for these activities in the budget year is 0.8 personnel years (38 percent of the current staff level).

While the amount of funds available for new local assistance and nonprofit grants also will decline in 1986–87, workload associated with existing grants will continue in the budget year. Therefore, we believe it is reasonable to maintain the number of staff devoted to grant administration in 1986–87 at the current level. Accordingly, we recommend that the Legislature reduce Item 3810-001-941 by \$69,000 and 1.3 personnel-years to reflect reduced capital outlay workload in the budget year.

---

## Resources Agency

## SAN FRANCISCO BAY CONSERVATION AND DEVELOPMENT COMMISSION

Item 3820 from the General Fund

Budget p. R 157

Requested 1986-87 .....	\$1,692,000
Estimated 1985-86.....	1,431,000
Actual 1984-85 .....	1,408,000
Requested increase \$261,000 (+18.2 percent)	
Total recommended reduction .....	50,000

## 1986-87 FUNDING BY ITEM AND SOURCE

Item—Description	Fund	Amount
3820-001-001—Support	General	\$1,492,000
Reimbursements	—	200,000
Total		\$1,692,000

## SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

Analysis  
page

1. *Program Improvements to Meet Federal Grant Requirements. Reduce Item 3820-001-001 by \$50,000.* Delete state funds for unspecified program improvements requested to meet federal grant requirements because the budget already contains funds for specific projects that would satisfy these requirements.

567

## GENERAL PROGRAM STATEMENT

The San Francisco Bay Conservation and Development Commission (BCDC) was created by the Legislature in 1965. It consists of 27 members representing citizens and all levels of government in the Bay Area. The BCDC is charged with implementing and updating the San Francisco Bay Plan and the Suisun Marsh Protection Plan. In addition, the BCDC has authority over:

1. All filling and dredging activities in the San Francisco, San Pablo, and Suisun Bays, including specified sloughs, creeks, and tributaries.
2. Changes in use of salt ponds and other "managed wetlands" adjacent to the bay.
3. Significant changes in land use within the 100-foot strip inland from the bay.

The BCDC is located in San Francisco and has 25.8 authorized positions in the current year.

## OVERVIEW OF THE BUDGET REQUEST

The budget proposes total expenditures of \$1,692,000 for support of BCDC activities in 1986-87. This is an increase of \$261,000, or 18.2 percent, over total estimated current-year expenditures, as indicated in Table 1. The \$1,692,000 consists of \$1,492,000 from the General Fund plus \$200,000 in reimbursements. As Table 1 indicates, the increase of \$261,000 is due entirely to the proposed increase in General Fund support.

# **SAN FRANCISCO BAY CONSERVATION AND DEVELOPMENT COMMISSION** **—Continued**

Table 1

## **San Francisco Bay Conservation and Development Commission** **Summary of Expenditures and Funding Sources** **1984-85 through 1986-87** **(dollars in thousands)**

Program	Personnel-Years			Expenditures			Percent Change from 1985-86
	Actual	Est.	Prop.	Actual	Est.	Prop.	
	1984-85	1985-86	1986-87	1984-85	1985-86	1986-87	
Bay Conservation and Development	23.3	22.8	22.8	\$1,408	\$1,431	\$1,692	18.2%
Funding Sources							
General Fund.....	—	—	—	\$1,086	\$1,231	\$1,492	21.2%
Reimbursements .....	—	—	—	322	200	200	—

The reimbursements in the commission's budget consist of federal Coastal Zone Management Act (CZMA) funds allocated to the BCDC by the Coastal Commission. The Coastal Commission is the single state agency designated to receive CZMA funds.

The budget does not include additional funding for Merit Salary Adjustments or inflation adjustments to Operating Expenses and Equipment. We estimate that the BCDC will have to absorb approximately \$21,000 in such costs.

### **Proposed Budget Changes for 1986-87**

Table 2 summarizes the changes proposed in the BCDC's budget for 1986-87. The table shows that workload and administrative adjustments account for \$113,000 of the total increase of \$261,000. The budget does not propose any change in BCDC staffing for 1986-87.

Table 2

## **San Francisco Bay Conservation and Development Commission** **Proposed Budget Changes** **(dollars in thousands)**

1985-86 Expenditures (Revised) .....	\$1,431
Proposed Changes:	
A. Workload and Administrative Adjustments	
1. Salary and benefit increases .....	\$63
2. Calstars implementation .....	39
3. Rent increase .....	11
Total Workload and Administrative Changes .....	\$113
B. Budget Change Proposals	
1. Office automation and computer maintenance.....	\$45
2. Seaport Plan update .....	40
3. Management Program improvements .....	25
4. Printing .....	23
5. Computer training .....	10
6. Library services .....	5
Total Budget Change Proposals .....	\$148
1986-87 Expenditures (Proposed) .....	\$1,692
Change from 1985-86:	
Amount .....	\$261
Percent .....	18.2%

**ANALYSIS AND RECOMMENDATIONS**

We recommend approval of the following budget change proposals shown in Table 2, which are not discussed elsewhere in this analysis:

- An increase of \$45,000 from the General Fund to complete the BCDC's office automation project and to provide for a maintenance contract on all automation equipment.
- An increase of \$23,000 from the General Fund to pay the cost of printing certain publications and to augment ongoing printing costs.
- A one-time appropriation of \$5,000 from the General Fund to update and organize the BCDC's library.

**Program Improvements Double-Budgeted**

*We recommend a General Fund reduction of \$50,000 to delete funds for unspecified program improvements needed to meet federal grant requirements because the budget already includes funds for specific projects that appear to satisfy these requirements.*

The BCDC's budget includes \$200,000 in reimbursements received from the Coastal Commission. These funds are part of the federal CZMA grant to California. In order to satisfy the requirements of this grant, the BCDC must spend at least 25 percent (\$50,000) of the funds on "significant improvements" to its federally approved Management Program.

In constructing the budget, the Department of Finance included the entire grant in the BCDC's baseline budget which supports the commission's ongoing activities. In order to fulfill the requirement attached to the federal funds, the BCDC proposes to (1) redirect \$25,000 of the funds budgeted for ongoing activities and (2) spend \$25,000 of new *state* funds for "Management Program improvements." The BCDC, however, has not identified any specific projects which would be funded with the \$50,000.

The budget also requests \$50,000 of *state* funds for a Seaport Plan update (\$40,000) and computer training (\$10,000). The Seaport Plan update will be a cooperative effort on the part of the Metropolitan Transportation Commission and the BCDC to revise a 1982 regional port development plan. The original plan calls for a review and possible revision when "three consecutive years of waterborne cargo statistics" indicate that the original recommendations are outdated. The computer training will allow the BCDC's staff to develop special applications in planning studies, permit analysis, and enforcement.

Our review of the federal guidelines governing the CZMA grant leads us to conclude that the Seaport Plan update and computer training constitute federal "activities that will result in significant improvements being made in achieving the coastal management objectives," and therefore would satisfy the condition of the CZMA grant. Accordingly, there is no need to provide an additional \$50,000 for unspecified program improvements. On this basis, we recommend a General Fund reduction of \$50,000 in Item 3820-001-001 to delete both the \$25,000 increase requested for Management Program improvements and the \$25,000 in redirected funds which the BCDC apparently does not need in its baseline budget.

---

Resources Agency  
DEPARTMENT OF WATER RESOURCES

Item 3860 from the General  
Fund and various special  
funds

Budget p. R 158

Requested 1986-87 .....	\$57,734,000
Estimated 1985-86.....	61,063,000
Actual 1984-85 .....	51,127,000
Requested decrease \$3,329,000 (-5.5 percent)	
Total recommended reduction .....	\$1,674,000
Recommendation pending .....	\$20,128,000

1986-87 FUNDING BY ITEM AND SOURCE

Item—Description	Fund	Amount
3860-001-001—Support	General	\$30,565,000
3860-001-140—Urban creeks, riparian vegetation	Environmental License Plate	150,000
3860-001-144—Agricultural water conservation, water resources planning	California Water Fund	2,449,000
3860-001-740—Support	1984 Clean Water Bond	216,000
3860-001-890—Support	Federal Trust	(6,780,000)
3860-001-940—Water conservation	Renewable Resources Investment	1,361,000
Reimbursements	—	6,293,000
Total Support		\$40,818,000
3860-101-001—Local assistance, delta levee subventions	General	\$1,700,000
3860-101-036—Local assistance, flood control subventions	Special Account for Capital Outlay, General	15,000,000
Total Support and Local Assistance		\$57,734,000

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

Analysis  
page

1. Flood Control Subventions. Withhold recommendation on \$15 million requested for flood control subventions, pending receipt of revised information on subvention needs. 573
2. Dam Safety Program. Withhold recommendation on \$348,000 requested to increase productivity in the division of dam safety pending receipt of information on (a) how certain programs can be combined, (b) how quickly reevaluations of existing dams should be accomplished, and (c) the resources needed to eliminate the backlog. 573
3. *Sediment Removal. Reduce Item 3860-001-890 by \$1,430,000.* Recommend that the Legislature (a) approve \$70,000 requested for a survey of sediment build-up at Fremont Wier and (b) delete \$1,430,000 and 0.6 personnel-years requested for sediment removal at Fremont Wier because the project is premature. Withhold recommendation on \$4.5 million requested for two other projects, pending 574

- review of the projects by the Department of Fish and Game.
4. Grasslands Water District. Recommend adoption of Budget Bill language prohibiting the expenditure of \$985,000 until the department receives a commitment from local agencies to (a) fund 50 percent of project costs and (b) maintain the area as wetlands for at least 10 years. 576
  5. Groundwater Monitoring. Recommend adoption of Budget Bill language requiring the department to have its plan for expanding monitoring approved by the Interagency Task Force on Groundwater Strategy. 577
  6. *CIMIS Fee Structure. Reduce Item 3860-001-144 by \$244,000.* Recommend reduction because the needed funds should be obtained from fees. Further recommend enactment of legislation authorizing the department to charge fees for CIMIS and recommend adoption of supplemental report language stating the Legislature's intent to eliminate state subsidies of CIMIS by 1988-89. 578
  7. Mobile Labs. Withhold recommendation on \$280,000 requested for the agricultural water conservation mobile laboratory program, pending receipt of the department's report evaluating the program. 579
  8. Delta Levee Subventions. Recommend adoption of Budget Bill language requiring the department to (a) allocate the subvention funds only to islands where repair is economically justified and (b) allocate the funds to only the most critical islands, if state funds are not sufficient to meet demand. 580

### GENERAL PROGRAM STATEMENT

The Department of Water Resources (DWR) is responsible for (1) protecting and managing California's water resources, (2) implementing the State Water Resources Development System, including the State Water Project, (3) maintaining public safety and preventing damage through flood control operations, supervision of dams, and safe drinking water projects, and (4) furnishing technical services to other agencies.

The department is headquartered in Sacramento and has district offices in Red Bluff, Fresno, Sacramento, and Los Angeles. A number of field offices provide for the operation and maintenance of the State Water Project.

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 flood control levees within the Sacramento and San Joaquin River valleys. The department has 2,645.4 personnel-years of staff in the current year.

### OVERVIEW OF THE BUDGET REQUEST

The budget proposes expenditures from state funds and reimbursements, totaling \$57,518,000 for support of the Department of Water Resources (DWR) and local assistance in 1986-87. This amount is \$3,545,000, or 5.8 percent, less than estimated current-year expenditures from state funds and reimbursements.

**DEPARTMENT OF WATER RESOURCES—Continued**

The budget proposes *total* expenditures of \$659,434,000 in 1986-87, a decrease of \$40,924,000, or 5.8 percent, from the current year level. The total includes \$513,821,000 in expenditures financed with State Water Project (SWP) funds, \$53,672,000 in bond funds for drinking water loans and grants, and \$6,780,000 from federal funds. Our figure for total expenditures *excludes*, however, \$1,792,000 for capital outlay which the Governor's Budget shows as part of total expenditures. We analyze these capital outlay expenditures separately from the support and local assistance items.

The budget does not include additional funding for Merit Salary Adjustments or inflation adjustments to Operating Expenses and Equipment. The department estimates that it will have to absorb approximately \$2,105,000 in such costs.

Table 1 summarizes the staffing and expenditures for the department from 1984-85 through 1986-87. Table 2 shows the department's proposed budget changes, by funding source, in 1986-87.

**Table 1**  
**Department of Water Resources**  
**Budget Summary <sup>a</sup>**  
**1984-85 through 1986-87**  
**(dollars in thousands)**

Program	Personnel-Years			Expenditures			Percent Change from 1985-86
	Actual	Est.	Prop.	Actual	Est.	Prop.	
	1984-85	1985-86	1986-87	1984-85	1985-86	1986-87	
Continuing formulation of the California Water Plan.....	173.2	218.7	218.2	\$17,906	\$32,565	\$23,594	-27.5%
Implementation of the State Water Resources Development System.....	1,596.4	1508.1	1,498.7	534,473	554,442	537,246	-3.1
Public safety and prevention of damage.....	213.1	227.0	234.0	59,617	107,477	93,815	-12.7
Services.....	209.0	227.8	226.0	3,398	5,874	4,611	-21.5
Management and administration distributed to other programs.....	460.9	463.8	466.8	(26,150)	(29,575)	(30,927)	4.6
Undistributed.....	—	—	—	—	—	168	—
Totals.....	2,652.6	2,645.4	2,643.7	\$617,395	\$700,358	\$659,434	-5.8%
Funding Source							
General Fund.....				\$43,912	\$49,031	\$32,265	-34.2%
State Water Project.....				512,804	535,095	513,821	-4.0
Safe Drinking Water (Bond) fund.....				25,660	71,175	53,456	-24.9
California Water Fund.....				24,958	25,000	30,092	20.4
1984 Clean Water Bond.....				—	9,784	216	-97.7
California Environmental License Plate Fund.....				888	422	150	-64.4
Renewable Resources Investment Fund.....				304	491	1,361	177.2
Energy Account, Energy and Resources Fund.....				681	—	—	—
Special Account for Capital Outlay, General Fund.....				—	—	15,000	—
Reimbursements.....				5,609	8,543	6,293	-26.3
Federal Trust Fund.....				578	817	6,780	729.9

<sup>a</sup> Excludes non-State Water Project Capital Outlay.



**Table 2**  
**Department of Water Resources Proposed Budget Changes**  
**(dollars in thousands)**

	<i>General Fund</i>	<i>Calif. Water Fund</i>	<i>Bond<sup>a</sup> Fund</i>	<i>State Water Project Funds</i>	<i>Other Special Funds</i>	<i>Federal Funds</i>	<i>Reim- bursements</i>	<i>Totals</i>
1985-86 Expenditures (Revised) .....	\$49,031	\$25,000	\$80,959	\$535,095	\$913	\$817	\$8,543	\$700,358
Proposed Changes:								
A. Workload Changes and Administrative Adjust- ments:								
1. Salary and benefit increases .....	1,147	183	61	5,176	—	—	—	6,567
2. Pro rata adjustments .....	105	20	5	469	—	—	—	599
3. One time appropriation for 1984 Clean Water Bond Fund .....	—	—	-9,784	—	—	—	—	-9,784
4. Deletion of one-time expenditures .....	-2,818	-8	—	—	-60	—	—	-2,886
5. Miscellaneous workload changes .....	—	4,897	431	—	—	-37	-1,458	3,833
B. State Water Project Changes .....	—	—	—	-26,919 <sup>b</sup>	—	—	—	-26,919
C. Program Changes:								
1. Trinity river management .....	428	—	—	—	—	—	—	428
2. Selenium control .....	1,531	—	—	—	—	—	46	1,577
3. Water conservation (1.9 PYs) .....	108	—	—	—	658 <sup>c</sup>	—	-838 <sup>d</sup>	-72
4. Major sediment removal in flood control channels (2.4 PYs) .....	—	—	—	—	—	6,000 <sup>e</sup>	—	6,000
5. California data exchange center .....	185	—	—	—	—	—	—	185
6. Flood control subventions .....	-17,800	—	—	—	15,000 <sup>f</sup>	—	—	-2,800
7. Safety of dams-computer aided design system .....	348	—	—	—	—	—	—	348
8. Safe drinking water loans and grants .....	—	—	-18,000	—	—	—	—	-18,000
1986-87 Expenditures (Proposed) .....	\$32,265	\$30,092	\$53,672	\$513,821	\$16,511	\$6,780	\$6,293	\$659,434
Change from 1985-86:								
Amount .....	-16,766	5,092	-27,287	-21,274	15,598	5,963	-2,250	-40,924
Percent .....	-34.2%	20.4%	-33.7%	-4.0%	1,708.4%	729.9%	-26.3%	-5.8%

<sup>a</sup> California Safe Drinking Water (Bond) Fund and 1984 State Clean Water Bond Fund.

<sup>b</sup> Includes (1) decreases of \$43.3 million due to anticipated reduction in power sales because of increased SWP water delivery and (2) increases of \$15 million for increased operation and maintenance of the SWP.

<sup>c</sup> Includes a decrease of \$212,000 in Environmental License Plate Funds, and an increase of \$870,000 from the Renewable Resources Investment Fund.

<sup>d</sup> Includes decrease of \$759,000 due to completion of leak detection grant program funded by State Water Resources Control Board.

<sup>e</sup> Federal outer continental shelf oil revenues potentially available to the state under Section 8(g) of the Outer Continental Shelf Lands Act.

<sup>f</sup> Special Account for Capital Outlay, General Fund.

**DEPARTMENT OF WATER RESOURCES—Continued****State Water Project Changes**

State Water Project (SWP) revenues are continuously appropriated to the department. The department expects to spend \$513,821,000 for construction, operation, and maintenance of the SWP in 1986–87. The major funding changes proposed for 1986–87 reflect:

- Delays in constructing the North Bay Aqueduct (–\$7.3 million).
- Initial construction of phase II facilities to protect water quality at Suisun Marsh (\$7.8 million).
- Initial construction of the East Branch enlargement in southern California (\$17.7 million).
- Purchase and installation of additional units at Devil Canyon Power Plant (\$8.1 million).
- Reduced power sales due to projected increase in SWP water deliveries (–\$43.3 million).
- Increased maintenance activities (\$15 million).
- Completion of the Bottle Rock geothermal power plant (–\$18.5 million).

**Bond Program Changes**

Expenditures for local assistance from the Safe Drinking Water (Bond) Fund are expected to decline by \$18 million, from \$70 million in 1985–86 to \$52 million in the budget year, as the available funds are exhausted. These funds are continuously appropriated to the department and will be used to provide loans and grants for construction, improvement, or rehabilitation of public drinking water supplies.

**California Water Fund**

The California Water Fund (CWF) receives \$25 million from state tidelands oil revenues each year, as authorized by Public Resources Code Section 6217. Balances in the CWF are continuously appropriated to the department for the construction of the SWP. The Legislature, however, can appropriate funds in the CWF for other purposes as well (Section 12938, State Water Code), and has done so in the past. The budget estimates that total CWF resources will be \$30.2 million in 1986–87. The 1986 Budget Bill appropriates \$2,449,000 of this amount in Item 3860-001-144 for agricultural water conservation activities and water resources planning. The department plans to spend all but \$12,000 of the remaining \$27.8 million for various SWP purposes in 1986–87.

**ANALYSIS AND RECOMMENDATIONS**

We recommend approval of the proposed workload and administrative adjustments shown in Table 2, as well as the following program changes which are not discussed elsewhere in this analysis:

**Trinity River Management** (\$428,000). The department requests \$428,000 from the General Fund to pay its 7.5 percent share of program costs. These costs are incurred pursuant to the Federal Trinity River Management Act of 1984 for the preparation of a management plan designed to restore fish and wildlife in the Trinity River Basin. The Department of Fish and Game also contributes 7.5 percent toward these costs and the federal government picks up the remaining 85 percent.

**California Data Exchange Center** (\$185,000). The department requests \$185,000 from the General Fund for computer maintenance and equipment replacement. The Data Exchange Center coordinates statewide flood control data in order to prevent or control floods.

**Urban Water Conservation.** For 1986-87, the budget proposes to reduce funding for the urban water conservation program by \$72,000 (3 percent) and increase staffing by 1.9 personnel-years. The reduction reflects:

- A reduction of \$838,000 from reimbursements, due primarily to the completion of the leak detection grants program (\$759,000, 1.6 PYs) funded by the State Water Resources Control Board.
- The shift of \$200,000 in costs from the Environmental License Plate Fund (ELPF) to the Renewable Resources Investment Fund (RRIF) to continue the landscape water conservation program.
- An increase of \$778,000 (\$670,000 from RRIF and \$108,000 from the General Fund) for expansion of existing water conservation programs in the area of leak detection, in-school education, landscape water conservation, planning assistance to local agencies, newsletters and brochures, and the purchase of water conservation kits.

#### **Flood Control Subventions**

*We withhold recommendation on \$15 million requested in Item 3860-101-036 for flood control subventions, pending receipt of information on subvention needs that reflects the latest estimate of federal appropriations.*

The budget requests \$15 million from the Special Account for Capital Outlay in the General Fund for flood control subventions in 1986-87. This is \$2.8 million less than what the 1985 Budget Act appropriated for these subventions.

The federal government, through the U.S. Army Corps of Engineers, conducts a nationwide program providing for the construction of flood control levee and channel projects. Congress requires local agencies to participate financially in these projects by paying the costs of rights-of-way and utility relocations. Prior to 1973, California reimbursed local agencies for all of these costs. Since 1973, these costs have been shared between the state and local agencies, as provided by Ch 893/73.

The amount of funds that the state must contribute toward the subvention program depends on the amount of *federal* funds appropriated for each flood control project. State funds cannot be spent unless federal construction funds are appropriated.

The department indicates that funding requirements for the subventions program will be reviewed in early 1986, after the President's Budget is released and information is available on the proposed federal program for 1986-87.

We withhold recommendation on the \$15 million requested in Item 3860-101-036, pending receipt of updated information on the flood control projects in California that are likely to be funded by the federal government in 1987.

#### **Dam Safety—Will Productivity Increase?**

*We withhold recommendation on \$348,000 requested from the General Fund for increasing productivity in the dam safety program, pending receipt of the following information, (1) whether the two dam reevaluation programs can be combined, (2) the schedule for reevaluating existing*

**DEPARTMENT OF WATER RESOURCES—Continued**

*dams, and (3) what resources the department needs to accomplish the reevaluations in a reasonable time.*

The budget requests \$348,000 from the General Fund to increase productivity in the Division of Dam Safety. These funds will be spent for travel, operations, and equipment costs and to implement a pilot computer aided design and drafting system (CADD). The department indicates that it is not inspecting the number of dams needed to provide an adequate level of public protection.

The division of dam safety is responsible for enforcing safety standards in the design, construction, maintenance, and operation of all dams which exceed a specified size and impoundment capacity. There are approximately 1,170 dams within the department's jurisdiction, and about 11 new dams are added each year.

**Division Backlog.** The division's primary workload consists of (1) design review and inspection of new dams, (2) routine inspection of existing dams, and (3) comprehensive structural reevaluations of existing dams to ensure that they meet the current safety requirements. The division has two reevaluation programs, the "5-year review" and the more-thorough "safety review."

The department established the 5-year program in 1982 with the goal of reevaluating all 1,170 existing dams within 5 years. The department, however, has completed only 106 reevaluations under this program and only 170 reevaluations under the safety review program. According to the department, the delay in reevaluating existing dams has been caused by an increase in dam construction and modification. At the divisions' current rate of 62 reevaluations per year, it will take another 14 years for it to complete the reevaluations.

According to an evaluation of the Division of Dam Safety conducted by an expert under contract to the department, the division should complete all of the reevaluations within 10 years, and all high-hazard dams should be reevaluated in three or four years. The consultant's report also recommended combining the five-year review and the safety review program.

**Analysis.** Obviously, the department needs to speed up its work reevaluating dams. The department, however, has not provided any specific information explaining how the additional \$348,000 will be used to reduce the backlog or when it will complete its reevaluations. Without this information, the Legislature has no way to determine what will be accomplished with the \$348,000 and, more importantly, whether the department will be able to complete its dam safety work in a reasonable period of time.

We, therefore, withhold recommendation on the \$348,000 requested pending receipt of the following information: (1) how the 5-year review and safety review programs can be combined, (2) how quickly the reevaluation of existing dams should be accomplished, and (3) what resources are needed to do this work in a reasonable period of time.

**Sediment Removal Premature**

*We recommend that the Legislature (1) delete 0.6 personnel-years and \$1,430,000 of the \$6 million requested in Item 3860-001-890 for removal of sediment in the Sacramento Flood Control Project because the survey work needed has not been completed, and (2) approve \$70,000 requested for completion of the survey work. We withhold recommendation on the balance of the request (\$4.5 million), pending review of the proposal by the Department of Fish and Game.*

The budget requests 2.4 personnel-years and \$6 million in federal outer continental shelf revenues (Section 8(g) funds) for removal of sediment in three facilities that are part of the Sacramento River Flood Control Project. (Please see *The 1986-87 Budget: Perspectives and Issues* for a discussion of 8(g) funds.)

The Sacramento Flood Control Project was authorized in 1945 by Section 12648 of the Water Code. The department is responsible for operating and maintaining the project. The department is requesting funds to remove sediment buildup which has caused water flows in the Sacramento River to exceed the design flow capacity of the river. The department does not consider the current situation to be an emergency.

The budget request would fund the first year of a three-year program that is expected to cost \$11 million. Specifically, the funds would be used as follows:

- **Fremont Weir**—\$1.5 million and 0.6 personnel-years for survey work (\$70,000) and removal of 450,000 cubic yards of sediment from the Fremont Weir channel in Yolo County (total estimated cost: \$3.5 million).
- **Colusa Bypass**—\$2 million and 0.8 personnel-years to remove 753,000 cubic yards of sediment in the Colusa Bypass in Colusa County (total estimated cost: \$5 million).
- **Tisdale Bypass**—\$2.5 million and one personnel-year to remove 760,000 cubic yards of sediment in the Tisdale Bypass in Sutter County.

The department has completed the survey work for the Colusa and Tisdale Bypasses. Survey work on the Fremont Weir, however, will not be done until 1986-87. When this work is completed, the department would then proceed with sediment removal at Fremont Weir, weather permitting, before the flood season begins.

Without the completed survey work, there is no way to determine the amount needed for this project. Accordingly, we recommend that the work which is not of an emergency nature be delayed until 1987-88, and that the Legislature delete the \$1,430,000 and 0.6 personnel-years requested in the budget for sediment removal at the Fremont Weir. We recommend that the Legislature approve the \$70,000 requested for survey work at Fremont Weir.

**MOU with the Department of Fish and Game.** The Department of Water Resources (DWR) and the Department of Fish and Game (DFG) are in the final stages of developing a Memorandum of Understanding (MOU) spelling out how DFG and DWR will work together on DWR's streambed alterations and maintenance activities that are subject to Section 1601 of the Fish and Game Code. Section 1601 requires all agencies that propose a project which would change natural streamflows to submit their project plans to DFG. The DFG then reviews the plans and makes recommendations for minimizing the adverse impacts.

Under the draft MOU jointly prepared by the DWR and DFG, the sediment removal work proposed for 1986-87 would be subject to the review process. The MOU requires DWR to notify DFG of its proposed work by April 15 of each year. The DFG must then review the proposals and make recommendations, if warranted, for reducing any adverse effects on fish and wildlife.

The two departments expect to complete a preliminary review of the sediment removal projects this spring. According to DFG, one possible

**DEPARTMENT OF WATER RESOURCES—Continued**

recommendation may be that DWR extend the work over a longer period of time. If the work is extended, the department would not need the full amount requested for 1986–87.

Accordingly, we withhold recommendation on \$4.5 million and 1.8 personnel-years requested for the Colusa and Tisdale Bypasses, pending review of DWR's proposal by DFG.

**Selenium Budget Request**

The budget requests \$1,577,000 (\$1,531,000 from the General Fund and \$46,000 in reimbursements from the Water Resources Control Board) for activities related to (1) water quality contamination caused by selenium and other toxic substances, and (2) evaluation of surface water quality. Specifically, the budget requests:

- \$985,000 for the second and final phase of the Grasslands Water District Water Facility Improvements;
- \$200,000 to increase groundwater monitoring for toxic substances;
- \$200,000 to increase the San Joaquin agricultural drainage water program;
- \$92,000 to increase laboratory staff for analyzing toxic elements in water; and
- \$100,000 to evaluate the surface water quality monitoring program in the central area of the state.

**Grasslands Water Facility Project**

*We recommend that the Legislature adopt Budget Bill language in Item 3860-001-001 prohibiting the expenditure of \$985,000 requested for the Grasslands project until the department receives a commitment from local agencies to (1) fund at least 50 percent of project costs, and (2) maintain the areas affected by the project as a wetlands for at least 10 years.*

The budget requests \$985,000 for the second and final year of the Grasslands Water District Facility Improvement project. A total of \$1.1 million is expected to be spent for phase one of the project in the current year.

This project is intended to improve the quality of the water supply for the wetlands area in the Grasslands Water District, which is located in western Merced County, south of the Kesterson Wildlife Refuge. The project consists of building canals to separate contaminated agricultural drainage water from the fresh water supply entering the wetlands area, and to purchase additional fresh water to replace the drainage water which is diverted into the San Joaquin River (subject to requirements of the Water Resources Control Board).

The work being done in the current year is taking place in the northern area of the Grasslands Water District, which primarily consists of state and federal wildlife preserves. The state is paying 90 percent of the project's costs and the local agencies are paying the remaining 10 percent. In the budget year, the proposed work would primarily benefit wetlands owned by private duck clubs. The department, therefore, is proposing to reduce its share of project costs to 50 percent.

There is no guarantee that the land benefiting from project activities in 1986–87 will remain wetlands. This brings the potential payoff from the project into question. We note that where the state seeks to preserve agricultural land under the Williamson Act, it requires a 10-year commitment that the land will remain in its current use, in exchange for financial

assistance. We see no reason why the state should not insist that owners of the Grasslands duck clubs make a similar commitment.

Accordingly, we recommend that the Legislature adopt the following Budget Bill language in Item 3860-001-001, in order to ensure that the local agencies, indeed, provide 50 percent of the project costs, and that the wetlands protected with state funds remain as wetlands for at least 10 years:

"None of the funds appropriated in this item shall be encumbered or expended for the Grasslands Water District Facility Improvement project until the Director of Water Resources certifies to the State Controller that commitments have been received from local agencies that they will:

- (a) provide at least 50 percent of the total project costs.
- (b) maintain the area affected by the project as a wetland acceptable to the Department of Fish and Game for at least 10 years from the time the project is completed or to reimburse the state, with interest at the rate then earned by the Pooled Money Investment Account, for a portion of the state's Phase 2 project costs equal to the total Phase 2 costs multiplied by the ratio of the acreage removed from acceptable wetland use to the total acceptable wetland acreage on July 1, 1986."

#### **Coordination of Groundwater Monitoring Needed**

*We recommend that the Legislature adopt Budget Bill language in Item 3860-001-001 requiring the department to submit its plan for expanding groundwater monitoring to the Interagency Task Force on Groundwater Strategy for review and approval before the department implements its plan.*

The department requests \$200,000 from the General Fund to develop and begin implementing a plan to expand its groundwater monitoring activities primarily in the San Francisco Bay Area, the Napa and Sonoma Valleys, and the central Sacramento Valley. The \$200,000 consists of \$55,000 needed to develop a plan, and \$145,000 for implementation of the plan.

Existing law gives DWR broad authority to investigate the quality of all waters in the state, and requires the department to coordinate its investigations with the State Water Resources Control Board. Other state agencies currently involved in groundwater monitoring include the Departments of Health Services and Food and Agriculture.

To satisfy a requirement imposed by the Environmental Protection Agency, the Governor formed an Interagency Task Force on Groundwater Strategy in June 1985 with the State Water Resources Control Board as the lead agency. Each of the agencies mentioned above are members of the task force, as well as the State Waste Management Board, and Division of Mines and Geology within the Department of Conservation. The objective of the task force is to better define each agency's role in managing and protecting groundwater supplies, and to develop a strategy to improve the management of the state's groundwater resources. The task force's report on a groundwater strategy is expected to be completed in June 1987.

The department's proposal to increase its groundwater monitoring has not been reviewed by the task force. In fact, the proposal has not even been reviewed by the department's own representative on the task force. To avoid duplication, we believe the task force should review and approve

**DEPARTMENT OF WATER RESOURCES—Continued**

the department's plan to expand groundwater monitoring before the plan is implemented. Accordingly, we recommend that the Legislature adopt the following Budget Bill language for Item 3860-001-001 providing for such a review:

"Prior to expenditure of \$145,000 appropriated in this item for increased groundwater monitoring, the department shall submit its plan for groundwater monitoring to and receive approval from the Interagency Task Force on Groundwater Strategy."

**Adoption of a Fee Structure for CIMIS Program**

*We recommend that the Legislature (1) authorize the department to collect fees to cover the costs of the CIMIS program, (2) reduce Item 3860-001-144 by \$244,000 to reflect the additional fee revenue that would be collected in 1986-87, and (3) adopt supplemental report language stating that CIMIS should be fully supported by fees beginning in 1988-89.*

The budget requests \$1,308,000 from the California Water Fund for the California Irrigation Management Information System (CIMIS) in 1986-87. This is the same amount provided in the current year for this program.

The current year marks the first year of the three-year CIMIS pilot program. The CIMIS program disseminates computer-generated irrigation scheduling information to the agricultural community to increase irrigation efficiency, which reduces farm costs by saving water and energy. The department estimates that the average annual cost of the pilot program will be approximately \$1,320,000. Prior to the pilot program, the department spent \$3,488,000 to conduct a four-year research and development program for CIMIS.

*The Supplemental Report of the 1985 Budget Act* directed the department to report on the CIMIS program by January 1, 1986, and to include in its report the following information:

- An evaluation of alternative fee structures and a recommended fee structure.
- An evaluation and recommendation on the amount of revenue that should be collected.
- A recommended schedule of fees to raise the desired level of revenue.

The department's report evaluates four alternative fee structures that could be employed under the program, but it does not recommend any of these options. The report indicates that the growers' willingness to pay should to be evaluated in greater depth before a fee structure is adopted. The department has stated it does not intend to begin charging fees for the program until statewide implementation begins in 1988-89.

One of the objectives of the CIMIS pilot program is to determine if the market for the program is large enough to justify implementation on a statewide basis. Since the department plans to support the program through fees once it is implemented statewide, it seems logical that fees should be charged during the pilot phase. Without fees, the department will have no basis for determining if the market is large enough to warrant statewide implementation.

Of the four fee structures identified by the department, the one that appears most appropriate for the CIMIS program is the one that would gradually shift more of the costs to the user over time. The fee level would be reduced in the first few years of the program in order to encourage more potential users to try the program and learn about its benefits. As



the program becomes established, fees would be increased. Because the number of users also should increase over time, program costs would be distributed over a larger population, holding down the size of the increase.

As described in the department's report, user charges would cover 55 percent of chargeable program costs in the first year, with the percentage going up in subsequent years. (The total chargeable costs (\$444,000) are less than full program cost (\$1,308,000) because they exclude (1) research costs (\$504,000), (2) grants to local agencies (\$100,000) and (3) certain program and equipment costs with multiyear benefits that should be amortized over a number of years.)

The department estimates that if the shifting fee structure is adopted, \$244,000 would be collected in the first year. This estimate assumes that 64 users (water agencies and consultants) would be willing to pay for CIMIS at this rate.

In order to assess the growers' willingness to pay for CIMIS, before the department expands the program statewide, we recommend that the Legislature enact legislation authorizing the department to charge fees for CIMIS. We further recommend that \$244,000 be deleted from Item 3860-001-144 to reflect the revenues that the department estimates would be collected in 1986-87 from the graduated fee structure.

We believe that once the CIMIS program is fully implemented (1988-89), the users should begin paying all chargeable costs. Since the program primarily benefits the users, there is no apparent reason why the state should have to subsidize its costs. Accordingly, we recommend the Legislature adopt the following supplemental report language:

"It is the Legislature's intent that the cost of service provided to water users by the CIMIS program should be fully supported by fees starting in fiscal year 1988-89 and no longer be subsidized by the state."

### **Mobile Labs**

*We withhold recommendation on \$280,000 requested from the California Water Fund (Item 3860-001-144) for continuation of the mobile laboratory program, pending receipt of the department's report evaluating the program.*

The budget requests \$280,000 from the California Water Fund to continue making mobile laboratories available to growers to assist them in determining how efficiently their irrigation systems apply and distribute water. The request for 1986-87 is the same as the amount provided in the current year.

The mobile lab program is coordinated with the department's California Irrigation Management Information System (CIMIS). The CIMIS program assists growers in determining when and how much to irrigate, based on weather, crop characteristics, and the efficiency of the distribution system. The department currently provides funding to five local agencies to implement the mobile lab program and loans the agencies the mobile labs. In only one case is a local agency contributing funds to help finance the mobile labs.

*The Supplemental Report of the 1985 Budget Act* directs the department to report, by March 15, 1986, on the status of the mobile lab program. This report is to include:

- An evaluation of growers' and local agencies' willingness to pay for the program;
- An assessment of the water and energy savings attributable to the program; and

**DEPARTMENT OF WATER RESOURCES—Continued**

- The department's plans and recommendations for future implementation and funding of the program.

Until we have analyzed the department's report, it would be premature for us to make a recommendation on this request. We, therefore, withhold recommendation on the \$280,000 requested in Item 3860-001-144, pending receipt of the department's report.

**Delta Levees Subvention Program Inconsistent with Existing Law**

*We recommend that the Legislature adopt Budget Bill language specifying that the \$1,700,000 in Item 3860-101-001 shall be available for repair and maintenance of (1) only the most critical delta levees, when state funds are insufficient to meet all requests for funding, and (2) only those delta islands where repair is economically justified.*

The budget requests \$2,033,000 from the General Fund for the Delta Levees subvention program. Of this amount, \$1,700,000 is for subventions to local agencies to repair and maintain levees in the Sacramento-San Joaquin Delta, and \$333,000 is for department administration and subsidence studies. The request is for \$33,000 more than what was provided in the current year. All of the increase would go for administration.

**Recent Revision in State Policy.** Until recently, the state's policy regarding the delta islands and their levees required that "the physical characteristics of the delta should be preserved in their present form, and that the key to preserving the delta's physical characteristics is the system of levees" (Section 12981, Water Code). Chapter 1271, Statutes of 1985, however, amended this policy by declaring that "the Legislature recognizes that it may not be economically justifiable to maintain all delta islands."

The cost of maintaining the delta islands in their existing configuration has been significant. Since 1980, a total of approximately \$31.5 million in state funds has been spent by the Department of Water Resources (DWR) through the subvention program to prevent levee failures (\$6.5 million) and by the Office of Emergency Services (OES) to repair levees (\$25 million).

**Background.** The delta levees subvention program began in 1973 as a means of helping local reclamation districts maintain and rehabilitate their levees. Under this program, local agencies are required to pay the first \$1,000 spent on each mile of levee work and one-half of all remaining costs. If applications for state funding exceed the amount available, existing law requires the department to apportion the funds among those levees "that are identified by the department as most critical and beneficial, considering the needs of flood control, water quality, recreation, and wildlife."

In practice, however, the department has not complied with this statutory requirement. Instead it prorates state funds among *all* applicants when applications request more than the amount of state aid available. Applications have exceeded available state funds in every year since 1973-74 except 1984-85.

**1985-86.** In order to make the administration of the subvention program consistent with state law, *The Supplemental Report of the 1985 Budget Act* directed the department to submit a report on the program to the Legislature by January 1, 1986. This report was to include:

- An identification of the specific delta levees that are most critical and beneficial for flood control, water quality, recreation, and wildlife.
- Alternative criteria that could be used to allocate the subventions to the most critical and beneficial levees identified in the report.
- The financial capability of local agencies to maintain the specific levees identified as most critical.

The department stated in its report that "all nonproject delta levees are equally important in protecting the various beneficial uses of the delta." In the department's mind, this justifies the department's policy of allocating funds to local agencies on an equal basis.

The department's contention, however, is not supported by specific water quality, economic or environmental analyses. Furthermore, the finding conflicts with other department documents—documents that are based on more extensive analyses than the department's latest report. For example, the department's Delta Levees Investigation-Bulletin 192-1985 and Alternatives for Delta Water Transfer (November 1983) identify those delta islands most critical to water quality, and fish and wildlife enhancement, as well as those islands with the highest probability of levee failure.

***Federal Funds May Not be Available in the Future.*** Approximately \$65 million in federal disaster assistance funds has been spent for emergency and permanent repair of delta levees since 1980. In order to receive funds from the Federal Emergency Management Agency (FEMA) for levee repairs, state and local governments must show that they are unable to pay for the emergency and permanent repairs made necessary by the levee break, and FEMA must determine if the levee break warrants a national disaster declaration.

The availability of federal funds to repair delta levees in the future is uncertain. In 1983 and 1984, FEMA, for the first time since the 1930's, denied California's requests for federal disaster funding to compensate for levee failures on Mildred and Bradford Islands. In a letter to the Governor dated September 19, 1984, the FEMA Director said the levee break on Bradford Island did not warrant a major disaster declaration because the levee failure indicates "a problem which is chronic in nature rather than a result of a sudden unexpected event." The letter further states that the levee break did not result in any significant water quality problems which could not be resolved using the state's resources. Consequently the state and the local reclamation district will receive no federal funds to reimburse the \$6,632,000 in state funds that will be spent by OES and the \$424,013 that will be spent by the local district to repair the levees at Bradford Island.

Recent legislation (Ch. 1562/85) may further reduce the chance of receiving federal disaster assistance for levee repair. This act increases the state's ability to pay for disaster assistance, and thereby reduces the apparent need for the federal funds.

Prior to enactment of Chapter 1562, the only source of state funding for disasters was the amount available from the state Natural Disaster Assistance Act (NDAA). The NDAA, however, limits expenditure of funds to *permanent* repairs and excludes emergency repairs. Emergency repair of delta levees includes the work involved in closing of the levee break, whereas permanent repairs include the work done to bring all the levees on an island up to a higher standard.

Chapter 1562 creates the Disaster Response-Emergency Operations Account within the Reserve for Economic Uncertainties and appropriates

**DEPARTMENT OF WATER RESOURCES—Continued**

\$20 million to the special account. Funds in the account can be allocated by the Director of Finance to any state agency for costs related to emergencies declared by the Governor. According to the Office of Emergency Services, it appears that these funds can be used for *emergency* repairs. Prior to enactment of Chapter 1562, the only source of funding to reimburse local agencies for emergency repairs was federal funds. As long as state funding is available for both emergency and permanent repairs, we believe the chances of getting federal assistance funds are diminished because it will be more difficult for the state to show that it is unable to pay for these repairs.

As the availability of federal funds for repair of delta levees decreases, the pressure on the state to use state funds for this purpose will build. Consequently, it is important for the Legislature to establish policies that (1) prevent limited funds from being used to repair islands that are not worth saving, and (2) focus subvention funds on islands that are most critical to protect water quality, fish and wildlife, and most in danger of failing.

Accordingly, we recommend that the Legislature adopt the following Budget Bill language under Item 3860-101-001 in order to implement existing law in accordance with Legislative intent and to provide for the efficient use of state funds:

“Funds shall be available for levee maintenance and repair only for those islands that the department finds are economically justified to repair and maintain. The department’s findings shall be based on an economic analysis by the department in cooperation with the Office of Emergency Services and the Department of Fish and Game.

“If the eligible requests for state funds exceed the amount of funds available, funds shall be used first for repair and maintenance of those islands deemed to be most critical and beneficial from the standpoint of water quality, fish and wildlife, and flood control. The determination of which islands are most critical and beneficial shall be based on information in Bulletin 192-85, and “Alternatives for Delta Water Transfer,” and any new information that becomes available.”

---

**DEPARTMENT OF WATER RESOURCES—CAPITAL OUTLAY**

Item 3860-301-036 from the General Fund, Special Account  
for Capital Outlay

Budget p. R 179

---

Requested 1986-87 .....	\$1,592,000
Recommended approval .....	260,000
Recommended reduction .....	32,000
Recommendation pending .....	1,300,000

---

**ANALYSIS AND RECOMMENDATIONS****(1) Minor Projects ..... \$32,000**

*We recommend deletion of \$32,000 requested for a minor capital outlay project to alter office space in the Resources Building, Sacramento, because we have no basis for the cost estimate or the proposed allocation of costs between the State Water Project Fund and the General Fund, Special Account for Capital Outlay.*

The department requests \$32,000 to alter an unspecified portion of the office space at the Resources Building in Sacramento. The remaining portion of the building's 114,000 square feet will be remodeled using \$167,000 in State Water Project Funds. This project will provide office space for Department of Water Resources functions that are to be relocated to the Resources Building when the Public Employees' Retirement System vacates it.

The department's submission does not explain how the costs of the project have been allocated between the two funds. Moreover, we cannot determine how the May 1984 cost estimate provided by the department was derived. Consequently, we have no basis on which to recommend approval of the amounts requested, and therefore must recommend that they be deleted from the Budget Bill.

**(2) Sacramento-San Joaquin River Bank Protection Project ..... \$1,300,000**

*We withhold recommendation on \$1,300,000 requested for the Sacramento-San Joaquin River Bank Protection Project, pending receipt of more recent information on federal funds available for the project.*

The budget requests \$1,300,000 to continue the Sacramento-San Joaquin River Bank Protection Project, which was authorized in 1960 by Section 12657 of the Water Code in order to protect the existing levee system of the Sacramento River and its tributaries. The project provides for the construction of bank erosion control works and setback levees along the Sacramento River from Collinsville upstream to the vicinity of Chico.

The State Reclamation Board, which is located within the Department of Water Resources, is the nonfederal participant in the project. The state provides funds to acquire lands, easements, and rights-of-way, as well as to relocate utilities. These expenditures, in combination with cash payments, provide the required one-third state funding for the project. The federal government pays two-thirds of the total project costs, which include project construction. State funding requirements are based on the amount of federal funds appropriated.

The department indicates that the funding requirements for this project may change, depending on what is requested in the President's

DEPARTMENT OF WATER RESOURCES—CAPITAL OUTLAY—Continued

Budget.

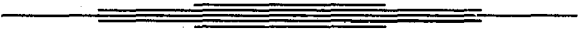
Accordingly, we withhold recommendation on the \$1.3 million requested, pending receipt of information on the proposed federal appropriation for this project.

(3) Knights Landing Outfall Gates..... \$260,000  
*We recommend approval.*

The budget requests \$260,000 for working drawings and construction to complete the maintenance project for the Knights Landing Outfall Gates. The gates serve to regulate the water levels for irrigation and flood flows between the Colusa Borrow Pit and the Sacramento River at Knights Landing.

The department received \$75,000 in 1984–85 for Phase I of the project. This amount, however, was not sufficient to complete Phase I. For the current year, the Legislature appropriated \$171,000, which was supposed to be adequate to complete both Phase I and Phase II. The amount available, however, is not sufficient to complete the project, given the bids received by the department. Consequently, the department is requesting additional funding for the project.

The project appears to be justified, and the \$260,000 requested now appears to be sufficient to complete the project, based on the bids the department has received. We, therefore, recommend approval of \$260,000 for Knights Landing Outfall Gates.



DEPARTMENT OF WATER RESOURCES—CAPITAL OUTLAY

Item 3860-301-140 from the Environmental License Plate Fund

Budget p. R 179

Requested 1986–87 .....	\$100,000
Recommended reduction .....	100,000

ANALYSIS AND RECOMMENDATIONS

(1) Sacramento-San Joaquin River Riparian Vegetation ..... \$100,000

*We recommend deletion of Item 3860-301-140 from the Environmental License Plate Fund and a corresponding increase of \$100,000 in Item 3860-301-036, in order to use a more appropriate funding source for flood control activities. We further recommend that, at the time of budget hearings, the department report on whether it intends to complete its acquisition program for riparian vegetation lands and, if so, its timetable for completing the program.*

The budget requests \$100,000 from the Environmental License Plate Fund (ELPF) to acquire lands with riparian vegetation along the Sacramento River which would serve a flood control purpose. In 1978, the Reclamation Board within the Department of Water Resources funded a study to identify riparian vegetation along certain areas of the Sacramento River that would protect levees, reduce bank erosion, and stabilize the river channel. The report identified 38 sites, consisting of 4,104 acres that

have a flood control benefit, and recommended that the state take action to retain the vegetation on these sites. By the end of the current year, the Reclamation Board will have spent a total of \$709,000 to acquire 428 acres of the identified lands.

Although this program results in ancillary environmental benefits by preserving riparian vegetation, its primary purpose is flood control. Consequently, the cost of the program should be funded from the Special Account for Capital Outlay, which is the funding source proposed in the budget for other flood control projects. This would be consistent with Legislative action last year which switched the funding source for a similar acquisition from ELPF to the General Fund.

Accordingly, we recommend that the Legislature (1) delete Item 3860-301-140 (Environmental License Plate Fund) and (2) augment Item 3860-301-036 (Special Account for Capital Outlay) by \$100,000 to shift the cost of this project to a more appropriate funding source.

According to the department, the cost of acquiring the remaining acreage identified by the 1978 Reclamation Board study will be approximately \$5.9 million (assuming \$1,600 per acre including staff costs to acquire the land). We recommend that the department report during budget hearings on (1) whether it intends to complete this program and (2) if so what its timetable for completion is.

### Resources Agency

### STATE WATER RESOURCES CONTROL BOARD

Item 3940 from the General

Fund and various other funds

Budget p. R 180

Requested 1986-87 .....	\$43,444,000
Estimated 1985-86.....	36,935,000
Actual 1984-85 .....	30,659,000
Requested increase \$6,509,000 (+ 17.6 percent)	
Total recommended reduction .....	617,000
Recommendation pending .....	3,991,000

### 1986-87 FUNDING BY ITEM AND SOURCE

Item—Description	Fund	Amount
3940-001-001—Support	General Fund	\$34,468,000
3940-001-014—Hazardous waste site closure	Hazardous Waste Control Account, General	553,000
3940-001-475—Underground tank enforcement	Underground Storage Tank	1,149,000
3940-001-476—Underground tank inventory	Underground Container Inventory Account, General	207,000
3940-001-482—Toxic pits regulation	Surface Impoundment Assessment Account, General	3,457,000
3940-001-740—Support	1984 State Clean Water Bond	423,000
3940-001-890—Support	Federal Trust	(16,856,000)
3940-101-890—Local assistance	Federal Trust	(182,000)
Reimbursements	—	3,187,000
Total		\$43,444,000

**STATE WATER RESOURCES CONTROL BOARD—Continued****SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS**Analysis  
page

1. Delays in Toxic Pits Program Implementation. Recommend that the board report on implementation of the toxic pits program, including the reasons for staff hiring delays. Further recommend that the board report on the status of fee collections and the effect on program implementation if fee revenues remain less than projected. 591
2. Underground Tank Surcharge. Withhold recommendation on language in Item 3940-001-475 setting the surcharge fee for 1986-87. Recommend that the board report on the status of surcharge fee collections and the consequence of a deficit in these collections. 592
3. Underground Tank Enforcement and Cleanup Program. Withhold recommendation on \$2.3 million requested from the General Fund (Item number 3940-001-001), pending receipt of Department of Finance request for additional resources. 594
4. Local Government's Implementation of Underground Tank Program. Recommend that the board report on status of local governments' implementation of the underground tank program. 596
5. Groundwater Strategy. Withhold recommendation on \$788,000 requested from the General Fund, pending receipt of further justification of this proposal. 596
6. *Groundwater Mapping. Reduce Item 3940-001-001 by \$495,000.* Recommend reduction of \$495,000 in order to limit this pilot program to fewer basins. 598
7. Waste Discharge Requirements. Withhold recommendation on \$903,000 requested in Item 3940-001-001 to update waste discharge requirements because supporting documentation was not available at the time this analysis was prepared. 598
8. New Positions. Recommend that, prior to budget hearings, the board advise the Legislature on the activities from which it will redirect funds to pay the salary of newly established positions. 599
9. *Waste Discharge Fees. Reduce Item 3940-001-001 by \$122,000.* Recommend reduction to delete funds that will not be needed because fee revenues are underbudgeted. 599

**GENERAL PROGRAM STATEMENT**

The State Water Resources Control Board has two major responsibilities: to regulate water quality and to administer water rights.

The state board carries out its water pollution control responsibilities by establishing wastewater discharge policies and by administering state and federal grants to local governments for the construction of wastewater treatment facilities. The board recently began implementing new programs to ensure that surface impoundments and underground tanks do



not contaminate groundwater. Nine regional water quality control boards establish wastewater discharge requirements and carry out water pollution control programs in accordance with the policies, and under the supervision, of the state board. Funding for the regional boards is included in the state board's budget.

The board's water rights responsibilities involve the issuance of permits and licenses to applicants who desire to appropriate water from streams, rivers, and lakes.

The board is composed of five full-time members who are appointed by the Governor to serve staggered four-year terms. The state board and the regional boards have a combined total of 867.4 personnel-years of staff in the current year, of which 419.1 personnel-years are allocated to the regional boards and 448.3 personnel-years are allocated to the state board.

### OVERVIEW OF THE BUDGET REQUEST

The budget proposes expenditures totaling \$43,444,000 from the General Fund, other state funds, and reimbursements for support of the State Water Resources Control Board (SWRCB) in 1986-87. This is an increase of \$6,509,000, or 18 percent, from comparable expenditures in the current year.

**Table 1**  
**State Water Resources Control Board**  
**Budget Summary**  
**1984-85 through 1986-87**  
**(dollars in thousands)**

Program	Personnel-Years			Expenditures			Percent Change From 1985-86
	Actual 1984-85	Est. 1985-86	Prop. 1986-87	Actual 1984-85	Est. 1985-86	Prop. 1986-87	
Water Quality							
Regulation .....	339.0	453.9	491.3	\$26,519	\$39,066	\$42,508	8.8%
Planning .....	17.1	20.4	37.4	2,211	2,108	6,303	199.0
Facility development assistance	112.6	125.2	125.2	57,088	75,034	75,649	0.8
Research and technical assistance .....	79.1	70.7	73.3	2,253	2,409	2,610	8.3
Subtotals .....	547.8	670.2	727.2	\$88,071	\$118,617	\$127,070	7.1%
Water Rights							
Water appropriation .....	55.7	51.1	51.1	\$3,315	\$3,357	\$3,544	5.6%
Water management/enforcement .....	21.7	34.9	35.4	1,497	2,208	2,032	-8.0
Determination of existing rights	4.4	5.8	5.8	331	329	349	6.1
Technical assistance .....	19.9	19.8	18.8	1,125	1,201	1,236	2.9
Subtotals .....	101.7	111.6	111.1	\$6,268	\$7,095	\$7,161	0.9%
Administration <sup>a</sup> .....	86.2	85.6	87.9	(\$5,099)	(\$5,670)	(\$6,783)	-21.0
Totals .....	735.7	867.4	926.2	\$94,339	\$125,712	\$134,231	6.8%
Funding Source							
General Fund .....				\$23,979	\$29,566	\$34,468	16.6
Hazardous Waste Control Account .....				1,293	445	553	24.3
Underground Tank Storage Fund .....				-66	1,109	1,149	3.6
Underground Container Inventory Account .....				857	149	207	38.9
Surface Impoundment Assessment Account .....				—	2,251	3,457	53.6
State Water Quality Control Fund .....				32	1,240	1,240	—
State Clean Water Bond Fund .....				51,579	57,513	57,509	—
1984 State Clean Water Bond Fund .....				—	15,401	15,423	0.1
Federal Trust Fund .....				12,069	15,024	17,038	13.4
Reimbursements .....				4,596	3,014	3,187	5.7

<sup>a</sup> Costs are allocated to other programs.

**STATE WATER RESOURCES CONTROL BOARD—Continued**

The budget does not include additional funding for Merit Salary Adjustments or inflation adjustments to Operating Expenses and Equipment. The board will have to absorb approximately \$994,000 in such costs.

The budget proposes *total* expenditures by the board from all sources, including clean water bond funds and federal funds, of \$134,231,000. This is an increase of \$8,519,000, or 6.8 percent, from estimated total expenditures in the current year. The total includes \$73,749,000 of continuously appropriated funds. Of this amount \$66,240,000 is for loans and grants to local agencies for wastewater facilities and water conservation projects, and \$7,509,000 is for support of the board. Essentially all of this money comes from bond funds.

Table 1 summarizes the staffing and expenditures for the SWRCB during the period 1984-85 through 1986-87.

**Proposed Budget Changes**

Table 2 shows the changes in the SWRCB's budget proposed for 1986-87, by funding source.

**Table 2**  
**State Water Resources Control Board**  
**Proposed 1986-87 Budget Changes**  
(dollars in thousands)

	General Fund	Bond Funds	Hazardous Waste Control Account	Quality Control Fund	Other State Funds <sup>a</sup>	Federal Trust Fund	Reim- burse- ments	Totals
1985-86 Expenditures (Revised) .....	\$29,566	\$72,914	\$445	\$1,240	\$3,509	\$15,024	\$3,014	\$125,712
A. Administrative adjustments:								
1. Employee compensation increases and other administrative adjust- ments .....	502	-73	100	—	1,232	-180	122	1,703
B. Program Changes								
1. Implementation of laboratory certi- fication program (2.5 PY) .....	543	—	—	—	—	—	—	543
2. Upgrade EDP operations (2.8 PY) .....	161	31	3	—	25	83	17	320
3. Increase groundwater protection studies and coordination (5.5 PY) .....	562	—	—	—	—	226	—	788
4. Implementation of solid waste dis- posal site ranking and review (12.6 PY) .....	627	—	—	—	—	—	—	627
5. Update of waste discharge require- ments (17.3 PY) .....	903	—	—	—	—	—	—	903
6. Upgrade word processing equip- ment and replace offset printer ....	193	38	3	—	29	99	21	383
7. Expected federal grants for water quality planning (2.8 PY) .....	—	—	—	—	—	1,662	—	1,662
8. Continue agriculture drainage studies at a reduced level and sub- stitute staff for contracts (6.6 PY) .....	-695	—	—	—	—	—	—	-695
9. Staff training and testing .....	115	22	2	—	18	59	13	229

10. Assess potential impact of underground injection of nonhazardous substances .....	400	—	—	—	—	—	—	400
11. Develop water quality standards for nonpoint discharge sources, groundwater, and ocean waters (11.6 PY) .....	931	—	—	—	—	65	—	996
12. Prototype of automated mapping of groundwater data .....	660,000	—	—	—	—	—	—	660,000
1986-87 Expenditures (Proposed) .....	\$34,468	\$72,932	\$553	\$1,240	\$4,813	\$17,038	\$3,187	\$134,231
Changes from 1985-86								
Amount .....	\$4,902	\$18	\$108	—	\$1,304	\$2,014	\$173	\$8,519
Percent .....	16.6%	—	24.3%	—	37.2%	13.4%	5.7%	6.8%

<sup>a</sup> Underground Tank Storage Fund, the Underground Container Inventory Account in the General Fund, and the Surface Impoundment Assessment Account in the General Fund.

## ANALYSIS AND RECOMMENDATIONS

*We recommend approval* of the following proposed budget changes that are not discussed elsewhere in this analysis (all amounts are from the General Fund, unless otherwise noted.)

**Laboratory Certification Program.** The board requests \$543,000 and 2.5 personnel-years to develop a quality assurance program for laboratories that perform analyses for the board (\$162,000) and to implement Chapter 1520/85, which requires the board to establish a laboratory certification program (\$381,000). The board currently requires waste dischargers to submit self-monitoring reports. The certification program will enable the board to ensure that laboratories accurately perform analyses for these reports. In addition, the board will be able to verify results from laboratories performing work directly for the board. The startup costs of the laboratory certification program this year (\$381,000) will be reimbursed to the General Fund next year from fees paid by the laboratories.

**Computer Staff.** The board requests 2.8 personnel-years and \$320,000 (\$161,000 from the General Fund) in order to increase the number of computer staff and increase funds for data processing. This increase will allow the staff to begin long-range planning for computer needs and to automate some existing activities.

**Solid Waste Facilities.** The board requests \$627,000 and 12.6 personnel-years (19.6 positions) to implement Chapter 1532/84. This act requires the board to select the 150 solid waste disposal facilities that pose the greatest potential hazard to groundwater. The facility owners must then perform site evaluations which the board must then review for evidence of hazardous waste leakage and follow-up with appropriate enforcement actions, as necessary.

**Word Processing Equipment.** The board requests \$383,000 (\$193,000 from the General Fund) to purchase new word processors and replace an existing duplicating machine.

**Federal Grants.** The federal government has provided funds to the board to distribute as grants for water quality management planning. Typically, the board has used the Section 28 notification process to secure the authority needed to use these funds. This year, the board is requesting authority through the budget process to spend \$1,662,000 of federal funds and add 2.7 personnel-years to operate this program.

**Agriculture Drainage.** The board requests \$1,575,000 and 15.9 personnel-years to continue studies of and develop solutions to agriculture

**STATE WATER RESOURCES CONTROL BOARD—Continued**

drainage problems, such as selenium contamination. This represents a decrease of \$695,000 and an increase of 6.9 positions from current-year funding and staffing levels. In the current year, the board has conducted numerous contract studies to determine the extent of the drainage problem. In the budget year, the board plans to reduce its research studies and hire staff to develop regulatory solutions to the contamination problems in the San Joaquin Valley.

**Staff Training and Testing.** The board requests an increase of \$229,000 (\$115,000 from the General Fund) and one personnel-year from a variety of funds to increase staff training and take over personnel testing.

**Underground Injection Program.** The board requests \$400,000 for a one-time study to evaluate the need for better regulation of waste injection in wells. Currently, the federal Environmental Protection Agency regulates underground injection well practices (except for oil and gas injection wells). The board wishes to characterize the wastes that are injected underground and to determine if the EPA regulatory program is adequate.

**Water Quality Standards.** The board requests \$996,000 (\$931,000 from the General Fund) and 11.6 personnel-years to develop new standards for waste discharges to the ocean and groundwater in order to include contaminants that currently are not regulated and to develop a control strategy for nonpoint sources (such as street runoff).

**Budget Information on Implementation of Toxics Programs Is Not Adequate**

There are major deficiencies in the information submitted by the board to justify its budget request, particularly with respect to the implementation of new toxics programs that have been given a high priority by the Legislature and the administration. As a result, the budget does not provide the Legislature with the information needed to evaluate the board's progress in implementing these programs. Specifically, the board has been unable to provide the following information:

- The number of staff already hired to implement the toxic pits program and the underground tank program.
- The number of underground tank cleanups the board is working on and how long these cleanups take.
- How the toxic pits program and the underground tank program will be funded if fee revenue shortfalls continue.

Without basic information on the implementation of the board's key toxics programs, the Legislature cannot make an informed decision on the board's budget request.

The administration plans to submit new proposals related to these programs later in the budget process. The lack of information, however, on the board's *current* implementation efforts, on the significant staffing delays, and on the apparent funding shortfalls for these programs cannot be excused. These deficiencies suggest that these programs are afflicted by serious coordination and management problems.

**Revisions In Major Toxics Programs to Be Addressed Later**

The budget includes \$1 million in federal funds from an Environmental Protection Agency grant to address contamination problems caused by leaking underground tanks in the Santa Clara Valley and \$1.2 million for full-year funding of positions established to implement the toxic pits pro-

gram in the current year. Otherwise, the budget does not request any additional money or positions for three of the board's most significant programs to address toxic hazards: (1) underground tank permitting and overseeing the cleanup of underground tank leaks, (2) prevention of toxic groundwater contamination from surface impoundments (toxic pits) and (3) determining the sources of contamination in drinking water wells identified by the Department of Health Services. The budget anticipates that "adjustments in these program areas will be forthcoming in the March Finance letter process as additional workload information becomes available." We discuss several areas of concern regarding the implementation of these toxics programs below.

### **The Implementation of the Toxic Pits Program Is Boggled Down**

*We recommend that the board report at budget hearings on (1) the number of people hired for the toxic pits program and when they were hired and (2) the effects of any delays in hiring on program implementation. We further recommend that the board report at budget hearings on the amount of surface impoundment fees collected in 1985-86, the basis for its fee projections in 1986-87, the effect on program implementation if fee revenues do not match projections, and how the board plans to fund the current-year deficiency in fee revenues.*

The budget requests \$3,457,000 from the Surface Impoundment Assessment Account and 52.7 personnel-years of staff for the regulation of surface impoundments (toxic pits). This amount is \$1,206,000, or 53 percent, more than the \$2,251,000 provided in the current year. The increase is due to full-year funding of 55.5 positions that are authorized in the current year, beginning on December 1, 1985.

**Background.** Chapter 1543/84 established a continuing program to prevent contamination from, and improper storage, treatment, and disposal of, hazardous wastes in surface impoundments. The act prohibited (as of January 1, 1986) disposal of restricted hazardous wastes in surface impoundments. After June 30, 1988, disposal of any liquid hazardous waste in a surface impoundment will be prohibited if the impoundment is within one-half mile of a potential source of drinking water, unless the board has granted an exemption. Disposal of liquid hazardous wastes in any impoundment (regardless of location) will be prohibited after January 1, 1989, unless specified monitoring and leakage prevention equipment has been installed. The act authorized the board to charge fees to anyone discharging liquid hazardous waste into a surface impoundment in order to cover the state and regional boards' costs of administering the program. The fee revenue is deposited in the Surface Impoundment Assessment Account (SIAA) in the General Fund.

The board's responsibilities under the act include (1) reviewing hydrogeological assessment reports (HARs) for each surface impoundment, (2) granting exemptions from the act's requirements under specified circumstances, and (3) annually inspecting all facilities with surface impoundments. Chapter 1543 established a deadline of January 1, 1986 for pit operators to submit certain exemption requests to the board. The board must evaluate the HARs that accompany the exemption requests and decide whether to grant them by December 31, 1987.

**Staffing Delays.** In requesting the 55.5 positions for the current year, the Governor proposed to delay filling most of the positions until January 1, 1986, when exemption requests were due to the board. Consequently, the Governor requested only 28.8 personnel-years of staff.

**STATE WATER RESOURCES CONTROL BOARD—Continued**

The Legislature augmented the Governor's original request by \$834,000, in order to advance the hiring process so as to ensure that the board would be able to meet its statutory deadlines. The Governor reduced this amount to \$200,000 so that technical staff could be hired December 1, 1985, rather than January 1, 1986, and receive one month of training prior to program implementation.

The board now indicates that it will delay filling 35 of the 55.5 positions until April 1, 1986 and another 7.3 positions to various other dates because it does not have funds needed to pay staff. The board has been unable to identify the number of staff that have been hired to date for the program nor will it tell us whether additional hiring delays are likely to occur.

**Fee Revenues: Too Little or Too Late?** The board indicates that the reason for the shortage of funds is that fee revenue collections are far below what was estimated. The board adopted a fee structure for the toxic pits program in emergency regulations issued on July 1, 1985. Based on these regulations, by January 1, 1986 the board should have collected \$1,500 for each facility with one or more surface impoundments and \$150 for each additional surface impoundment at a facility. Additional annual fees are to be established by the state board prior to May 1, 1986, with collection set to begin on July 1, 1986. These new fees are limited by the regulation to a maximum of \$4,500 per facility plus \$450 for each surface impoundment after the first one at the facility.

Although the board projected fee revenues of \$2,251,000 in 1985-86, the board had collected only \$197,934 at the time this analysis was prepared. Fees were not due to the board until January 1, 1986, so the shortfall may be made up by late payments. If not, the board could require a deficiency appropriation in the current year.

**Conclusion.** The implementation of the Toxic Pits Cleanup Act is bogged down. Staff hirings have been delayed and may be delayed further unless fee revenues increase or the board receives funding from another source. Given the importance of the toxic pits program and the difficulties that can be anticipated in implementing a new program of this type, it is surprising that the board decided to delay hiring, rather than ask the Legislature for a loan to get the program moving now.

Accordingly, we recommend that the board report during budget hearings on the status of this program. Specifically, the board should inform the Legislature about the hiring delays in the current year and describe the impact that these delays will have on program implementation. In addition, the board should report on the status of the fee program and discuss whether fees will be sufficient to fund the program in the current year and in 1986-87.

**Underground Tank Surcharge Fees**

*We withhold recommendation on proposed Budget Bill language in Item 3940-001-475 which establishes the underground tank surcharge fee, pending receipt and analysis of (1) an explanation for the shortfall in surcharge revenues, (2) a realistic estimate by the board of current and budget year revenues, (3) an explanation of how the board intends to handle any anticipated shortfall in revenue during the current year, and (4) a description of how the shortfall will affect the underground tank program.*

The board requests \$1,149,000 in Item 3940-001-475 from the Underground Tank Storage Fund (UTSF) to continue its activities related to the regulation of underground storage tanks and to provide technical assistance to local governments in 1986-87. This amount is essentially the same (an increase of \$40,000) as the amount provided for the program in the current year.

Item 3940-001-475 also includes language setting the state surcharge on underground tank permits at \$56—the same amount as in the current year. The UTSF receives its revenue from the surcharge. The amount of the surcharge is established each year in the Budget Act in order to provide sufficient revenue (together with certain variance request fees) to finance the board's underground tank program.

**Background.** In 1983, a statewide program was initiated to identify and regulate underground tanks. Chapter 1045, Statutes of 1983, required the board to conduct an inventory of underground containers to identify the location and contents of underground tanks as well as sumps, pits, ponds and lagoons in the state. The inventory is now complete and lists approximately 168,000 underground containers in California, including 156,000 tanks.

Chapter 1046, Statutes of 1983, required local governments to establish an underground tank permit program by July 1, 1985. Chapter 1228, Statutes of 1985, extended this date to September 1, 1986 but allowed local governments to issue interim permits and collect fees prior to fully implementing the program. By September 1, 1986, all underground tanks must have permits and be monitored for leaks.

The regional and state water boards' role in the permit program involves (1) promulgating regulations that specify design, construction, and leak detection or monitoring requirements, (2) providing technical assistance to local agencies, (3) reviewing tank owner requests for site-specific or categorical variances from regulations, and (4) reviewing local agency requests for authority to implement additional design and construction standards. The board has adopted regulations and currently is providing technical assistance to local governments.

**Only Ten Percent of Expected Surcharge Revenue Received by Mid-year.** The budget indicates that the board will spend \$1,109,000 in the current year from surcharge fees deposited in the UTSF. As of January 1, 1986, however, the board had received less than 10 percent of this amount (\$96,348). Our analysis indicates that this shortfall may have the following causes:

- Some local governments are not collecting the state surcharge or are not sending the revenue to the board.
- Delays in implementing local permit programs have delayed receipt of fees.
- The board has received fewer variance requests than it expected.
- The surcharge is set too low to fund the program.

The lack of fee revenues is causing cash flow problems, and the board will have a deficiency this year if fee collections do not increase dramatically. The board has been borrowing from other funds thus far to pay for the technical assistance program. The board may have to reduce the amount of technical assistance it provides to cities and counties or seek a deficiency appropriation from the General Fund if fee receipts do not increase substantially.

If the board's experience with fee collections thus far in 1985-86 is indicative of what's to come, the surcharge established in the Budget Bill

**STATE WATER RESOURCES CONTROL BOARD—Continued**

provision will fall far short of funding the proposed appropriation from the UTSP. Therefore, we withhold recommendation on Provision 1 in Item 3940-001-475 which establishes the underground tank surcharge fee for 1986-87, pending receipt and analysis of an explanation for the shortfall in surcharge revenues, (2) a realistic estimate of current-year and budget-year revenue, (3) a description of how the board intends to deal with any anticipated shortfall in the current year, and (4) a discussion of how the shortfall will affect the underground tank program.

**Underground Tank Program Still Not Off the Ground**

*We withhold recommendation on \$2.3 million and 46.4 personnel-years requested from the General Fund (Item 3940-001-001) for enforcement of the underground tank permitting program and oversight of underground tank leaks cleanup, pending analysis and receipt of information from the board on (1) the number and type of underground tank leaks currently in each region, (2) how many cases the regional boards will address, (3) the time required to clean up leaking tank sites, (4) the number of leaks local governments will address, (5) when counties and cities will have tank monitoring requirements in place, and (6) the number and severity of tank leaks that will be found.*

The budget requests approximately \$2.3 million and 46.4 personnel-years from the General Fund for enforcement of the underground tank permitting program and for overseeing the cleanup of underground tank leaks. This amount is in addition to funding from the UTSP for state technical assistance to local governments. The requested amount would maintain the program at its current level.

Based upon workload information provided by the board for the 1985-86 budget, the proposed funding and staffing levels will allow the board to handle an estimated 1,373 new tank leaks. The budget request assumes that the board will jointly enforce and oversee cleanup with the local governments at approximately 640 sites, and that local governments will oversee cleanup by themselves at 733 sites.

**Local Government's Role**

The administration has based the budgets for both 1985-86 and 1986-87 on the assumption that local governments will take on the primary responsibility for oversight of cleanup at all "minor" and "moderate" leaking underground tank sites. These include sites where contamination may threaten groundwater.

State law (Chapter 1046/83) does not specifically require local agencies to take any enforcement or cleanup action when underground tank leaks are reported. Nor does the law provide specific statutory authority for local enforcement actions, although local governments may have the authority to require cleanup of leaking tanks through their general police powers. Chapter 1046, however, does authorize local governments to "request" that the regional boards or the Department of Health Services use their enforcement authority to require cleanup of underground tank leaks. In addition, the Porter-Cologne Act generally requires the state board and the nine regional boards to protect the state's surface and ground waters.

**Legislative Action in 1985.** In our analysis of the board's 1985-86 budget, we recommended, and the Legislature approved, an augmenta-



tion of \$7.6 million from the General Fund to provide 167 personnel-years (PYs) of staff for the investigation of leaks from underground tanks and for overseeing the cleanup of contamination from *all* leaking tanks. Our recommendation was based on the fact that the board has statutory responsibility to protect the state's groundwater. Our estimate of the funding and staffing required was based upon (1) our assumption that counties would begin issuing operating permits requiring ongoing monitoring for leaks by July 1, 1985; (2) workload estimates that reflected the experience of the Los Angeles and Oakland Regions; and (3) the expectation that the board would find approximately 1,400 new leaking underground tank leaks in 1985-86.

**Governor's Vetoes.** The Governor vetoed the augmentation, stating that "the approach taken by the Legislature in this augmentation would have the state, rather than local, government oversee all cleanup. This type of major policy change should be addressed in specific legislation and not the Budget Bill." The Governor later vetoed SB 1063, which appropriated \$3.6 million (half-year funding) for the same purpose.

Since the time of the Governor's vetoes, we have been working with the board to update the information on which our previous recommendation was based. This effort has been hampered by the lack of information available at the state board on the underground tank program. The board has been unable to provide (1) updated workload figures for overseeing cleanups of tank leaks, (2) information on the time that elapsed between when sites were referred to the board for action and when the board began efforts to clean them up, or (3) information on whether local governments are overseeing cleanup of the approximately 1,400 known leaking sites that the board is not working on.

The information we have received, however, indicates to us that the board will need additional staff to oversee cleanup of underground tanks. The board has received many more reports of underground tank leaks than it had expected. In fact, as of November 1985, there were at least 1,400 cases of underground tank leaks that the board was *not* working on. The board, however, could not determine whether anyone was addressing these tank leaks. The board indicates that it will have updated information on the underground tank cleanup program when a Finance letter on this program is submitted in March.

**Current Status.** Many of the local governments with established permitting programs are overseeing the cleanup of underground tank leaks. These efforts, however, generally are limited to "minor" sites with soil contamination, although some of the larger, urban counties have been willing to oversee the cleanup of more significant leaks.

For example, Riverside County refers underground tank leaks to the regional board when groundwater contamination is detected but directly oversees the cleanup of sites with minor contamination problems. San Mateo County, on the other hand, oversees the cleanup of all leak sites unless the leak poses a severe threat to the groundwater basin. (The county also keeps the regional board informed about its actions.) A few counties, Sacramento being one, refer *all* cases of leaking tanks to the regional board. Local efforts are funded by either local General Fund monies or tank permit fees.

In recommending an augmentation last year, we assumed that permit programs with monitoring requirements would be fully implemented by July 1, 1985. Since then, the Legislature (Ch 1228/85) has delayed full implementation of the program until September 1, 1986. Consequently, it

**STATE WATER RESOURCES CONTROL BOARD—Continued**

is likely that the number of leaking tanks reported to date has been less than we anticipated. During the next several years, however, the number probably will increase substantially as local governments fully implement their permit programs. This is because most tanks currently are not monitored, and, as a result, the majority of identified tank leaks have been detected in the course of removing or replacing tanks. Once the permit programs are in place, however, tank owners must begin monitoring their tanks for leaks in order to receive permits for them. Many more leaks probably will be found when tanks are regularly monitored.

**Conclusion**

Obviously, many crucial questions regarding the program's workload and progress remain unanswered. We expect that the administration will address some of these questions in the upcoming Finance amendment letter. Accordingly, we withhold recommendation on the request for \$2.3 million and 46.4 personnel-years from Item 3940-001-001 to oversee the cleanup of underground tank leaks, pending analysis and receipt of updated information on (1) the number and type of underground leaks currently reported in each region, (2) the number of cases that the board will address, (3) the time required to clean up leak sites, (4) the number of leaks which local governments will address, (5) when counties and cities will have tank monitoring requirements, and (6) the number and severity of the leaks that will be found.

**Underground Tank Permit Program Delays**

*We recommend that the board report during budget hearings on (1) whether any counties will not implement the underground tank permit program and (2) what action the board plans to take in order to enforce the permit program in those counties.*

Chapter 1046/83 places the primary responsibility for permitting and regulating underground tanks with local governments. Our review indicates that some small rural counties may not implement the permit program. Accordingly, we recommend that the board advise the Legislature (1) whether any counties will not implement the underground tank permit program and (2) what action the board plans to take—or recommends the Legislature take—in order to enforce the permit program in those counties.

**Groundwater Strategy**

*We withhold recommendation on 5.5 personnel-years of staff and \$788,000 requested from the General Fund and federal funds to integrate state groundwater protection programs, pending receipt and analysis of (1) a specific list of contracts and a cost estimate for each contract; (2) a workload-based estimate of the staff needed to perform each of the three identified activities and a timetable for completing each major task; and (3) information identifying the positions that will be redirected to the new program and the work that will not be accomplished due to the redirection.*

The budget requests \$788,000, consisting of \$562,000 from the General Fund and \$226,000 in federal funds, to develop a comprehensive groundwater protection strategy and coordinate efforts under existing state groundwater programs. The funds would provide 5.5 PYs of staff (\$388,-

000) and \$400,000 for contracts. In addition, the board indicates that it will redirect five existing positions to this effort from other unidentified programs. The groundwater protection program will (1) coordinate groundwater efforts at various state agencies through the existing Interagency Coordinating Committee, (2) determine the best method to improve coordination and sharing of groundwater databases, and (3) determine the need for statewide guidelines for implementing individual agency's groundwater protection programs.

**Coordination Needed.** In addition to the Water Resources Control Board, the following five state agencies currently have programs or regulations affecting the state's groundwater:

**Department of Food and Agriculture.** Regulates pesticides and monitors groundwater for pesticide contamination.

**Department of Health Services.** Sets standards for allowable concentrations of contaminants in drinking water, oversees cleanup of toxic waste sites, and samples drinking water wells to determine if the water is safe to drink.

**Department of Water Resources.** Conducts basic water quality monitoring; sets well construction standards; and identifies the water basins in the state.

**Department of Conservation.** Regulates underground injection of wastes and products from oil and gas drilling, and regulates the drilling and closure of oil, gas and geothermal wells.

**Waste Management Board.** Permits and inspects solid waste disposal facilities.

Clearly, coordination in this area is needed. Previously, coordination and data sharing occurred on an ad hoc basis. As a consequence, information gathered by one agency has not always been shared with the others. Moreover, sampling sometimes is done differently from agency to agency, so that the data collected are not comparable. Recently, however, the board created the Interagency Coordinating Committee with representatives from all of the agencies mentioned above to coordinate groundwater programs.

**Use of Additional Staff and Funds.** The board indicates that the additional staff it is requesting will work in the following three general areas:

1. **Interagency Groundwater Coordination.** Continue interagency groundwater program coordination and expand efforts to include local and federal agencies.

2. **Data Coordination.** Conduct a feasibility study to determine the best approach for and the cost of improving interagency data accessibility.

3. **Statewide Guidelines.** Assess the feasibility of developing statewide guidelines for addressing specific statewide groundwater quality problems concerning well construction, animal waste disposal practices, industrial chemical contamination, and use of groundwater models.

The board, however, has not indicated when any specific tasks will be completed nor has it explained how it determined the number of staff to request. The board also has failed to identify how it will use the \$400,000 requested for contract support. Without this information, the Legislature has no basis on which to determine the appropriate level of funding for this program.

For this reason, we withhold recommendation on this request, pending receipt and analysis of the following information: (1) a specific list of contracts and a cost estimate for each contract, (2) a workload-based

**STATE WATER RESOURCES CONTROL BOARD—Continued**

estimate of the staff needed to perform each of the three identified activities and a timetable for completing each major task, and (3) an identification of the positions that will be redirected to the new program and work that will not be accomplished due to the redirection.

**Groundwater Mapping Proposal**

*We recommend that the Legislature delete \$495,000 requested from the General Fund for a contract to demonstrate the feasibility of automated mapping of information on groundwater contamination because this pilot program should be limited to fewer basins. (Reduce Item 3940-001-001 by \$495,000)*

The budget requests \$660,000 from the General Fund for a contract to demonstrate the feasibility of automated mapping of information on groundwater contamination. The board indicates that this will entail combining existing data on hydrogeology, contamination sites, sampling of wells, and other available information on a geographic map of a water basin. The board hopes that this information will help to update water quality standards by providing easy access to data on groundwater.

The board estimates that the requested funds will allow it to develop maps for about 12 of the more than 200 basins in the state. If the maps are useful, the board will request additional resources next year to map more basins. The board has not identified which basins will be studied, the actual number of basins that will be included in this program, or the specific types of data that will be included in the maps.

The regional boards establish basin plans which set water quality standards within each basin. These basin plans and water quality standards must be updated every three years. Due to a lack of resources, however, many of the regional boards have not updated their water quality standards or set standards for new contaminants in many years. The board expects the new maps to expedite the updating of these water quality standards and basin plans.

While the automated maps may prove useful, we believe that the board can test the feasibility and usefulness of automated mapping in two or three basins, and need not conduct a pilot program of the scope proposed. Lessons learned in a pilot program of this size would still yield the information needed to design a subsequent full-scale program. We estimate that the cost of mapping three basins would be \$165,000, based upon the average cost of basin maps reflected in the board's proposal. Accordingly, we recommend that the Legislature delete \$495,000 (\$660,000 less \$165,000) from the General Fund request for groundwater mapping.

**Update of Waste Discharge Requirements**

*We withhold recommendation on 18.2 positions and \$903,000 requested from the General Fund in Item 3940-001-001 to update waste discharge requirements because the supporting documentation was not available at the time this analysis was prepared.*

The budget requests \$903,000 from the General Fund and 17.3 person-years (18.2 positions) to expand its program to update waste discharge orders.

Anyone discharging waste or proposing to discharge wastes that could affect the quality of the waters of the state must obtain a waste discharge order from the regional water quality control board. Many of these waste discharge orders are old and need to be updated to reflect new water quality standards. The board started an ongoing program to update these orders in 1984-85.

The board did not provide a budget change proposal to justify this request until January 16, 1986, almost a week after the Governor's Budget was published. As a result, we did not have an opportunity to analyze the board's proposal prior to completion of this *Analysis*. Consequently, we withhold recommendation on \$903,000 and 18.2 positions requested from the General Fund, pending our analysis of the proposal.

#### **New Positions Budgeted At 1985-86 Levels**

*We recommend that the board report prior to budget hearings where it will redirect funds from in order to pay the salaries and benefits of new positions which it requests for 1986-87, and which have been budgeted using 1985-86 salary levels.*

The budget requests an additional 65.1 positions for 1986-87, and seeks \$2,528,000 to fund the salary and benefit cost of these positions. The funding request is based on the 1985-86 salary ranges. Since state workers will receive a salary increase of at least 5 percent in the budget year, proposed funding for the new positions is underbudgeted by approximately \$125,000. As a result, the board either will have to redirect resources to cover the extra costs or it will not be able to hire as many people as the budget proposes. In order to determine what activities will and will not be performed in 1986-87, we recommend that prior to budget hearings, the board identify where it will get the money to pay the salaries and benefits of the new positions in 1986-87.

#### **Waste Discharge Fees Understated**

*We recommend that the Legislature reduce the amount budgeted from the General Fund by \$122,000 because additional revenue from waste discharge fees can be used to offset General Fund expenditures. (Reduce Item 3940-001-001 by \$122,000 and increase reimbursements by a like amount).*

Under existing law, each report of a new waste discharge, or a material change in a waste discharge, submitted by the waste discharger, must be accompanied by a filing fee. These fees partially support the board's costs of issuing and revising waste discharge orders. The maximum filing fee is \$10,000.

The budget estimates that fee revenues will be \$686,000 in 1986-87.

Based on the experience of the past 18 months, we, however, estimate that revenue will be higher than this amount. Actual fee revenues for 1984-85 were \$982,000, and for the first six months of 1985-86 they totaled \$404,000. We do not foresee a decrease in revenues from the 1985-86 level during the budget year.

If the board collects another \$404,000 during the last six months of 1985-86 (bringing the total to \$808,000), fee revenues will exceed the budget projection by \$122,000. Accordingly, we recommend that the Legislature reduce Item 3940-001-001 by \$122,000 and increase reimbursements by a corresponding amount, in order to reduce General Fund costs.

---