

Resources Agency
SEA GRANT PROGRAM

Item 3110-001 from the General

Fund

Budget p. R 1

Requested 1987-88	\$520,000
Estimated 1986-87	525,000
Actual 1985-86	500,000
Requested decrease \$5,000 (-1.0 percent)	
Total recommended reduction	None

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 of the project costs must be provided from nonfederal sources.

The state historically has provided funds to the Resources Agency for distribution to higher education institutions involved in the Sea Grant program. Most of these funds are applied toward the one-third project match required by the federal government. 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.

In 1985-86, institutions within California received \$3.76 million in federal funds for Sea Grant projects. The federal funds were matched with approximately \$2 million in funds and in-kind services, including the state funds provided under this item in the 1985 Budget Act.

ANALYSIS AND RECOMMENDATIONS

We recommend approval.

The budget proposes a General Fund appropriation of \$520,000 to continue support for the Sea Grant program in 1987-88. The proposed amount is \$5,000 less than the current-year allocation approved by the Legislature in Ch 1079/86 and reflects a Special Adjustment reduction of 1 percent to the statutory allocation. Existing law requires the General Fund to be reimbursed from tidelands oil revenues for the program's support.

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 1987-88	\$1,208,000
Estimated 1986-87	1,038,000
Actual 1985-86	658,000
Requested increase (excluding amount for salary increases) \$170,000 (+16 percent)	
Total recommended reduction	132,000

1987-88 FUNDING BY ITEM AND SOURCE

Item—Description	Fund	Amount
3110-101-001—California share of support	General	\$702,000
3110-101-140—Various activities	Environmental License Plate	506,000
Total		\$1,208,000

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

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1. **Environmental Monitoring. Reduce Item 3110-101-140 by \$100,000.** Recommend deletion of funds because the proposal is not developed adequately and appears to be underfunded. 318
2. **Data Management. Reduce Item 3110-101-140 by \$32,000.** Recommend deletion of funds because the budget already contains funds for the expansion of TRPA's data management system. 319

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, the President, and the states in 1980. 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. The TRPA now anticipates that it will take final action to approve a revised regional plan and implementing ordinances that will settle the litigation in the spring of 1987.

OVERVIEW OF THE BUDGET REQUEST

The budget proposes two appropriations totaling \$1,208,000 as California's share of support for the TRPA in 1987-88. This amount consists of \$702,000 from the General Fund and \$506,000 from the Environmental License Plate Fund (ELPF). This is an increase of \$170,000, or 16 percent, above the \$1,038,000 provided in the current year.

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

Table 1 summarizes the TRPA's sources of funds for 1987-88. Based on information provided by TRPA staff, these funds will total \$2,561,000, which equals the agency's total proposed expenditures in 1987-88. This amount is \$71,000, or 2.9 percent, more than estimated current-year total expenditures.

Table 1
Tahoe Regional Planning Agency
Sources of Funds
1987-88
(dollars in thousands)

<i>Funding Source</i>	<i>Amount</i>
California	\$1,208 ^a
Nevada	523
Local Governments	150
Interest Income	100
Grants and Contracts	410
Filing Fee Income	150
Fines and Forfeitures	15
Other	5
Total	\$2,561

^a California's contribution in 1987-88 is more than twice Nevada's contribution because California has spread its share of funding of the individual parcel evaluation system over two years, whereas Nevada provided all of its share in 1986-87.

Table 2 summarizes the proposed changes in California's support for the agency during 1987-88, by fund. As shown in Table 2, the budget does not provide any increase for ongoing TRPA staff costs or operating expenses. The Department of Finance indicates that this is consistent with its general policy of not including any discretionary cost-of-living adjustments in local assistance items.

ANALYSIS AND RECOMMENDATIONS

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

- Deletion of one-time costs totaling \$82,000.
- Continuation of the implementation of the individual parcel evaluation system at a cost of \$254,000 to the ELPF. This project will assess the suitability for development of all 16,000 vacant lots in the basin. It began in the current-year at a cost of \$260,000 and will be completed in 1987-88.
- Addition of \$80,000 for community planning assistance (ELPF).
- Addition of \$40,000 for a study of the effect of in-water construction on the shorezone habitat (ELPF).

TAHOE REGIONAL PLANNING AGENCY—Continued

Table 2
Tahoe Regional Planning Agency
Support from California
Proposed Budget Changes, by Fund
1987-88
(dollars in thousands)

	<i>General</i> <i>Fund</i>	<i>Environmental</i> <i>License</i> <i>Plate</i> <i>Fund</i>	<i>Totals</i>
1986-87 Expenditures (Revised)	\$778	\$260	\$1,038
Proposed Changes:			
Workload and Administrative Adjustments:			
1. Deletion of one-time costs	-76	-6	-82
Program Changes:			
1. Complete Individual Parcel Evaluation System, Second Year	—	(254)	(254)
2. Environmental Monitoring	—	100	100
3. Community Planning Assistance	—	80	80
4. Shorezone Study	—	40	40
5. Data Base System Expansion	—	32	32
1987-88 Expenditures (Proposed)	\$702	\$506	\$1,208
Change from 1986-87			
Amount	-\$76	\$246	\$170
Percent	-9.8%	94.6%	16.4%

Monitoring Proposal Needs Further Development

We recommend deletion of \$100,000 requested from the Environmental License Plate Fund for environmental monitoring because the proposal is inadequately developed and appears to be underfunded. (Reduce Item 3110-101-140 by \$100,000.)

The budget requests an increase of \$100,000 from the ELPF for environmental monitoring in the Tahoe basin. With these funds, TRPA proposes to spend \$33,000 to purchase monitoring equipment and \$67,000 to operate and maintain it. The proposed new regional plan establishes environmental "threshold" standards which are minimum acceptable levels for air, water, and noise pollution. The TRPA indicates that monitoring air, water, and noise in the basin is necessary to ensure that the plan's thresholds are attained and maintained.

We agree that monitoring the environment is appropriate for promoting proper regulation in the basin; however, our review of TRPA's specific proposal reveals that (1) the costs are understated and (2) some items may be included which are not warranted.

We consulted with the California Air Resources Board and the Tahoe Research Group, who are involved actively in environmental monitoring in the Tahoe basin. Based on these discussions, it appears that (1) TRPA has underestimated the cost of the specified equipment by up to \$100,000, (2) the proposal may include some monitoring equipment which is not needed, and (3) staff and maintenance needs may not be addressed adequately. The TRPA acknowledges our concerns and agrees that the proposal needs to be revised.

The TRPA has formed an advisory board composed of experts in the

field of environmental monitoring which could review and revise this proposal. The TRPA indicates, however, that it may not be able to revise its proposal in time for it to be included in the 1987 Budget Act. Accordingly, we recommend that the Legislature reduce Item 3110-101-140 by \$100,000.

Should TRPA develop a revised proposal in time for budget hearings, we will analyze it and make appropriate recommendations.

Data Management System Double-Budgeted

We recommend deletion of \$32,000 requested for data management from the Environmental License Plate Fund to eliminate double-budgeting for this purpose. (Reduce Item 3110-101-140 by \$32,000.)

The budget requests \$32,000 from the ELPF in 1987-88 for the expansion of TRPA's data management system. TRPA indicates that this expansion is needed to handle the extensive data that will be generated by the individual parcel evaluation system (IPES). In its proposals for the IPES, however, the TRPA has indicated that the funding for the IPES includes the costs of data management.

The 1986 Budget Act appropriated \$260,000 from the ELPF for the first year of the IPES project. As noted earlier, we recommend approval of \$254,000 requested from the ELPF in 1987-88 for second-year project costs.

Accordingly, we recommend that Item 3110-101-140 be reduced by \$32,000 to eliminate the double-budgeting of data management costs for the IPES.

Resources Agency

CALIFORNIA TAHOE CONSERVANCY

Item 3125 from the General

Fund and various funds

Budget p. R 2

Requested 1987-88	\$2,567,000
Estimated 1986-87	1,055,000
Actual 1985-86	3,192,000
Requested increase (excluding amount for salary increases) \$1,512,000 (+143 percent)	
Total recommended reduction	None
Recommendation pending	2,000,000

1987-88 FUNDING BY ITEM AND SOURCE

Item—Description	Fund	Amount
3125-001-001—Support	General	\$750,000
3125-001-720—Support	Lake Tahoe Acquisitions (Bond)	317,000
3125-101-140—Erosion control grants	Environmental License Plate	1,500,000
3125-101-890—Erosion control grants	Federal Trust	(500,000)
Transfer from capital outlay	—	(50,000)
Reappropriated local assistance funds	Federal Trust	(86,000)
Total		\$2,567,000

CALIFORNIA TAHOE CONSERVANCY—Continued**SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS***Analysis
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|---|-----|
| 1. Erosion Control Grants. Withhold recommendation on \$1,500,000 from the Environmental License Plate Fund and \$500,000 in federal funds, pending receipt of a priority list of projects required by the Legislature. | 322 |
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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 Lake Tahoe Acquisitions Bond Act of 1982 and acquiring environmentally sensitive and other undeveloped lands in the Lake Tahoe basin. The conservancy also is authorized to use other available funds for (1) the acquisition of developed and partially developed lands, and (2) the improvement and development of acquired lands for the purposes of recreation, protecting the natural environment, and providing public access.

The conservancy has a seven-member governing board composed of the Secretary for 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 is authorized 15 personnel-years in the current year.

OVERVIEW OF THE BUDGET REQUEST

The conservancy's budget proposes expenditures from state funds totaling \$2,567,000 from the General Fund (\$750,000), the Lake Tahoe Acquisitions (Bond) Fund (\$317,000), and the Environmental License Plate Fund (\$1.5 million) for support and local assistance in 1987-88. This is an increase of \$1,512,000, or 143 percent, from estimated current-year expenditures from state sources.

Total proposed expenditures, including federal funds, *decrease*, however, by \$1,761,000, or 35 percent, from the current to the budget year. The large increase in state funding and decrease in total funds is primarily due to a shift from federal funds to state funds as the source of support for erosion control grants in the budget year. Federal funds appropriated to the conservancy are from California's share of federal offshore oil revenues pursuant to Section 8(g) of the Federal Outer Continental Shelf Lands Act.

The conservancy's budget has been reduced by \$8,000, which is approximately 1 percent of the General Fund support, as a Special Adjustment. In addition, the expenditure tables which follow have not been adjusted to reflect any potential savings in 1986-87 which may be achieved in response to the Governor's December 22, 1986 directive to state agencies and departments to reduce General Fund expenditures.

Table 1 provides a summary of the conservancy's expenditures for support and local assistance from 1985-86 through 1987-88.

Table 1
California Tahoe Conservancy
Summary of Expenditures and Funding Sources
1985-86 through 1987-88
(dollars in thousands)

Program	Personnel-Years			Expenditures			Percent Change From 1986-87
	Actual	Est.	Prop.	Actual	Est.	Prop.	
	1985-86	1986-87	1987-88	1985-86	1986-87	1987-88	
Support	12.2	15.0	18.0	\$815	\$1,212	\$1,203	-0.7%
Erosion control grants	—	—	—	2,377	3,752	2,000	-46.7
Totals	12.2	15.0	18.0	\$3,192	\$4,964	\$3,203	-35.5%
Funding Sources							
Support:							
General Fund				\$526	\$758	\$750	-1.1%
Lake Tahoe Acquisitions Fund				289	297	317	6.7
Federal funds				—	157	136	-13.4
Local Assistance:							
Environmental License Plate Fund				377	—	1,500	NMF ^a
Energy and Resources Fund				2,000	—	—	—
Federal funds				—	3,752	500	-86.7

^a Not a meaningful figure

Table 2 summarizes the proposed changes in the conservancy's support budget for 1987-88.

Table 2
California Tahoe Conservancy
Proposed Budget Changes, by Fund
1987-88
(dollars in thousands)

	General Fund	Lake Tahoe Acquisi- tions Fund	Environ- mental License Plate Fund	Federal funds	Totals
1986-87 Expenditures (Revised)	\$758	\$297	—	\$3,909	\$4,964
Proposed Changes:					
Workload and Administrative Adjustments:					
1. Administration of erosion control grants	—	—	—	-71	-71
2. Staffing adjustments (2 PYs)	—	20	—	—	20
3. Administration of special projects (1 PY)	—	—	—	50	50
4. Special adjustment	-8	—	—	—	-8
Program Changes:					
1. Local Assistance Grants for Erosion Control Projects	—	—	1,500	-3,252	-1,752
1987-88 Expenditures (Proposed)	\$750	\$317	\$1,500	\$636	\$3,203
Change from 1986-87					
Amount	-\$8	\$20	\$1,500	-\$3,273	-\$1,761
Percent	-1.1%	6.7%	NMF ^a	-83.7%	-35.5%

^a Not a meaningful figure

CALIFORNIA TAHOE CONSERVANCY—Continued**ANALYSIS AND RECOMMENDATIONS**

We recommend approval of the following budget change proposals shown in Table 2, which are not discussed elsewhere in this analysis:

- Deletion of one-time costs totaling \$71,000 for the administration of erosion control grants.
- Net increase of \$20,000 (bond funds) and two personnel-years for various staffing adjustments, including converting contract student interns to temporary help.
- Addition of one limited-term position for the administration of special acquisition and site improvement projects funded by Ch 1602/85. The position also will be funded by federal 8(g) funds appropriated by Chapter 1602.

Soil Erosion Project Priority List Not Completed

We withhold recommendation on \$1.5 million from the Environmental License Plate Fund and \$500,000 from federal funds for soil erosion control grants, pending receipt of a priority list of projects to be funded, pursuant to the 1986 Budget Act.

The budget requests a total of \$2 million from the Environmental License Plate Fund (\$1.5 million) and federal funds (\$500,000) to continue the conservancy's program of providing local assistance grants for erosion control projects on the California side of the Tahoe basin.

Studies conducted by the Lahontan Regional Water Quality Control Board have established the need for erosion control in the Tahoe basin. According to the regional board, the estimated cost of completing all necessary erosion control projects on the California side of the basin is approximately \$90 million. Through 1986-87, \$25.4 million has been made available from various sources for California projects.

Nevada also will be funding erosion control projects on its side of the basin. In November 1986, the Nevada voters approved a bond act which makes \$7.8 million available for such projects.

Priority List. The 1986 Budget Act appropriated \$3,958,000 to the conservancy for soil erosion control project grants, and directed the conservancy to prepare a priority list of projects for future funding. The requirement for the priority list was due to a concern that the conservancy's method of selecting projects for funding did not ensure that highest priority was given to those projects that are most beneficial to the lake. The *Supplemental Report of the 1986 Budget Act* specifies that the conservancy is to (1) rank the erosion control projects by the "estimated amount of sediment reduction that will result from a project for every state dollar spent," (2) submit this priority list to the Legislature "prior to hearings on the 1987-88 budget," and (3) use the list "as the basis for the allocation of funds to specific erosion control projects by the conservancy in 1987-88 and thereafter."

The conservancy indicates that the priority list of projects will be completed in March 1987. It would be premature to make a recommendation on the proposed funding until the priority list has been submitted to the Legislature and reviewed. Accordingly, we withhold recommendation on the \$2 million requested by the conservancy for local assistance grants for erosion control projects in 1987-88, pending receipt and analysis of the priority list required by the Legislature.

CALIFORNIA TAHOE CONSERVANCY—CAPITAL OUTLAY

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

Budget p. R 5

Requested 1987-88	\$11,460,000
Recommended approval	11,460,000
Recommended reduction	None

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

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1. Federal 8(g) Funds. Recommend re-adoption of Budget Bill language specifying that litigation settlements shall have first priority for use of these funds and restricting the use of any excess funds to acquisition, minor improvements, and planning. 325

OVERVIEW OF THE BUDGET REQUEST

The budget proposes appropriations totaling \$11,460,000 from the Lake Tahoe Acquisitions (Bond) Fund (\$10 million) and the Federal Trust Fund (\$1,460,000) to finance the California Tahoe Conservancy's capital outlay program for 1987-88.

ANALYSIS AND RECOMMENDATIONS**Bond Funds***We recommend approval.*

The conservancy requests \$10 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 to make local assistance grants to other public agencies or nonprofit organizations for land acquisition pursuant to the bond act.

The Budget Bill contains language exempting conservancy acquisitions valued at less than \$250,000 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. \$7.5 million solely for acquisition of lands "threatened with development" that would adversely affect the Tahoe region's natural environment. Preference will be given to lands (a) within stream environment zones, or (b) that are susceptible to erosion.
2. \$2.5 million to augment the funds in (1) above or for other types of acquisitions authorized in the 1982 Tahoe Bond Act. These other purposes include 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 estimates that the conservancy will have an additional \$16.5 million of bond funds available for expenditure in 1987-88 from prior-year appropriations. Consequently, the budget request for \$10

CALIFORNIA TAHOE CONSERVANCY—CAPITAL OUTLAY—Continued

million in additional bond funds will make a total of \$26.5 million available for bond act acquisitions in 1987–88. This total is about equal to the \$26.6 million of bond funds the conservancy expects to spend in the current year.

Status of the Lot Acquisition Program. The conservancy indicates that approximately 6,000 environmentally sensitive lots are located on the California side of the Tahoe basin. The conservancy has contacted the owners of 4,200 of these lots about possible acquisition and has received positive responses from the owners of more than 3,000 lots. As of December 1986, the conservancy had acquired 1,230 lots at an average of \$11,838 per lot, for a total cost of about \$14.6 million. The conservancy estimates that it will have authorized the acquisition of up to 2,300 lots by the end of the current year with typical values ranging between \$11,000 and \$15,000 per lot.

The federal government, under the Burton-Santini Act, also acquires environmentally sensitive lots in the Tahoe basin. To avoid overlap of acquisition projects, the conservancy and the U.S. Forest Service, which administers the federal act, have agreed that the Forest Service will concentrate on acquiring the other 1,800 lots of the 6,000 total. As of October 1986, the Forest Service had acquired 1,168 lots on the California side of the basin. The Forest Service has a balance of \$14 million available for future acquisitions in California and Nevada. The voters of Nevada also recently approved a bond act providing \$23.2 million for acquisitions on their side of the basin.

Anticipated Progress Through 1987–88. Table 1 shows the projected status of the Lake Tahoe Acquisitions (Bond) Fund at the end of 1987–88, based on the budget request and the conservancy's expenditure plans. By that time, the conservancy expects to have spent a total of almost \$56 million from the bond fund since it began operations in 1985, including the \$10 million requested for capital outlay in 1987–88. A reserve of \$29 million would remain available for future appropriation and expenditure.

Table 1
Projected Status of Lake Tahoe Acquisitions (Bond) Fund^a
June 30, 1988
(dollars in thousands)

Total bonds authorized	\$85,000
Cumulative appropriations through 1987–88:	
Support.....	\$951
Capital Outlay:	
Lot acquisition program	50,000
Acquisition grants for soil erosion projects.....	2,000
Access and recreation lands	2,000
Wildlife lands	1,000
Total, cumulative appropriations through 1987–88.....	<u>\$55,951</u>
Remaining Reserve—June 30, 1988.....	\$29,049

^a Based on current expenditure plans of the California Tahoe Conservancy and the requested appropriations for 1987–88.

Of the \$56 million to be spent through 1987–88, \$50 million will have been spent to acquire most or all of the 4,200 undeveloped lots that the conservancy seeks to buy. All of the 4,200 lots could be bought if the

average lot acquisition cost is less than \$11,900 (near the bottom of the conservancy's expected cost range). If the average acquisition cost is \$15,000 (the top of the expected range), then 3,333 lots could be bought with the \$50 million. Roughly \$13 million of the \$29 million reserve would be needed to buy the remaining 867 lots.

The conservancy also plans to spend \$5 million in bond funds by the end of the budget year for land acquisition grants for (1) soil erosion control projects (\$2 million), (2) public access and recreation projects (\$2 million), and (3) wildlife enhancement projects (\$1 million). Further, approximately \$1 million will have been spent on conservancy support costs.

The request for an additional \$10 million in bond funds 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.

Federal 8(g) Funds

We recommend the re-adoption of Budget Bill language specifying that the first priority for use of these funds shall be litigation settlements recommended by the Attorney General and restricting the use of any excess funds to acquisition, minor improvements, and planning.

The conservancy requests \$1,460,000 from federal funds in 1987-88 to (1) settle court cases, (2) acquire partially developed parcels, and (3) construct site improvements on acquired lands. These federal funds can be used for any purpose and are a portion of California's share of federal offshore oil revenues pursuant to Section 8(g) of the federal Outer Continental Shelf Lands Act. (The Department of Finance estimates that California will receive at least \$8.7 million of Section 8(g) money in 1987-88.)

These federal funds generally would be used for acquisitions and site improvements which would not qualify for funding under the bond act. (Bond funds may be used only for acquisition of "undeveloped" lands and may not be used for improvements.)

Priority to be Given to Litigation Settlements. The budget does not identify any specific projects. The conservancy indicates that its first priority for the use of the federal funds will be the acquisition of lands to settle court cases involving 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 only upon the recommendation of the Attorney General to settle those cases in which the land also has value in terms of enhanced recreation and access or environmental protection.

The 1986 Budget Act appropriated \$9 million in federal Section 8(g) funds to the conservancy for this same purpose. As of December 1986, the conservancy had spent \$1,222,000 for the acquisition of 80.6 acres of land associated with two litigation settlements—78.9 acres at Glenridge (\$372,000) and 1.7 acres at Moon Dunes (\$850,000). Currently, the conservancy is participating in settlement negotiations on three additional potential acquisitions at Eagle Rock, Heavenly Valley, and the Upper Truckee Marsh. These three acquisitions could result in additional costs of \$7.8 million to \$9.6 million.

When combined with the current balance of the 1986 appropriation, the additional \$1,460,000 requested in 1987-88 would provide the conservancy with a total of \$9,238,000 for the three potential litigation settlements. Using the conservancy's range of estimated settlement costs, a balance of

CALIFORNIA TAHOE CONSERVANCY—CAPITAL OUTLAY—Continued

up to \$1,438,000 could be available for other purposes after the court cases are settled.

Use of Excess Funds. The conservancy has a list of 11 acquisition and development projects totaling \$14 million which it could fund with any extra monies.

Last year, in similar circumstances, the Legislature adopted Budget Bill language limiting the use of any funds not needed for litigation settlements to other high-priority acquisitions, minor immediate improvements and project planning. Significant development or improvement projects, on the other hand, should be presented individually to the Legislature with appropriate justification, cost estimates, and operating plans. We believe that these restrictions remain appropriate and that the language should be continued in 1987-88.

Accordingly, we recommend that the Legislature adopt the following Budget Bill language under Item 3125-301-890:

"Litigation settlements shall be the first priority for acquisitions under this item. Funds appropriated by this item may be expended for projects undertaken as part of litigation settlements only if the Attorney General has approved the terms of the litigation settlement.

"Funds not needed for litigation settlements shall be available for other priority acquisitions and for; (a) minor soil stabilization, soil erosion control, and hazard removal projects; and (b) project planning for Conservancy acquisitions and major site improvements."

CALIFORNIA TAHOE CONSERVANCY—REAPPROPRIATION

Item 3125-490 from the Federal
Trust Fund

Budget p. R 4

ANALYSIS AND RECOMMENDATIONS***We recommend approval.***

The budget proposes to reappropriate \$131,000 from a 1986 Budget Act appropriation (Item 3125-101-890) to the conservancy for local assistance grants for soil erosion control projects. The reappropriated funds would be available for expenditure through 1988-89. The conservancy proposes to use \$86,000 of these funds in 1987-88 to support one personnel-year of staff (and operating expenses) to administer its soil erosion control grants program. The remaining \$45,000 will be available for expenditure in 1988-89. The conservancy indicates that these funds will be requested in 1988-89 to fund the staff position until January 1989, when work associated with the 1986 grants will end.

The reappropriation appears to be a reasonable method of providing funds for the administration and oversight of the grant program. Accordingly, we recommend approval.

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 1987-88	\$278,000
Estimated 1986-87	256,000
Actual 1985-86	236,000
Requested increase (excluding amount for salary increases) \$22,000 (+8.6 percent)	
Total recommended reduction	None

GENERAL PROGRAM STATEMENT

The State Assistance Fund for Energy, Business and Industrial Development Corporation (SAFEBCIDCO) was created by Chapter 819/80. The SAFEBCIDCO 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, SAFEBCIDCO could have loans outstanding with a principal amount that is up to 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 corporation's 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.)

Creation of New Low-Interest Loan Program for Small Business Energy Conservation Investments. Chapter 1338, Statutes of 1986, established a new program in the SAFEBCIDCO. The program provides low-interest loans to small businesses to finance the installation of energy conservation measures, electrical load management equipment, or other devices to improve energy efficiency. The act continuously appropriates \$3 million from federal funds in the Petroleum Violation Escrow Account (PVEA) and future loan repayments to implement the program. Consequently, these funds do not appear in the Budget Bill.

Chapter 1338 allows the SAFEBCIDCO to spend up to \$250,000 of the \$3 million to administer the program. It further allows the SAFEBCIDCO to spend up to 10 percent of loan repayment proceeds for the costs of marketing the program to potential borrowers. The program sunsets on January 1, 1997.

STATE ASSISTANCE FUND FOR ENERGY, CALIFORNIA BUSINESS AND INDUSTRIAL DEVELOPMENT CORPORATION—Continued**OVERVIEW OF THE BUDGET REQUEST**

The budget proposes an appropriation of \$278,000 from the State Energy Loan Fund (SELF) to SAFEBCIDCO in 1987–88. This is the maximum amount of loan repayments (principal and interest) that the corporation expects to deposit in the SELF during 1986–87. (Repayments to the SELF in 1987–88 will not be made until June 30, 1988, and therefore, will not be available until 1988–89.)

The SELF has received \$2.5 million in state funds and operates as a revolving loan fund for SAFEBCIDCO. Repayments deposited in the fund are reloaned to the corporation through annual budget appropriations. As of December 1986, the corporation had loaned a total of \$6.8 million to small businesses. It expects to loan approximately \$3 million under this loan program in 1987–88.

The \$278,000 appropriation requested for 1987–88 is \$22,000, or 8.6 percent, more than the \$256,000 SAFEBCIDCO expects to borrow from the SELF during the current year. These funds will be used by SAFEBCIDCO to make more loans to small businesses.

Although the Budget Bill requests an appropriation of \$278,000 from the SELF, the budget document shows expenditures of only \$171,000 in 1987–88. The difference—\$107,000—is the amount of principal from past loans that SAFEBCIDCO will repay to the SELF in 1986–87. The budget document subtracts this amount from the total proposed expenditure of \$278,000 for a *net* expenditure of \$171,000.

In addition to funds from the SELF, the SAFEBCIDCO anticipates spending a total of about \$1.2 million in 1986–87 and \$1.6 million in 1987–88 from PVEA funds provided in Ch 1338/86 for loans and administrative costs associated with the new low-interest loan program.

ANALYSIS AND RECOMMENDATIONS

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

Resources Agency
CALIFORNIA CONSERVATION CORPS

Item 3340 from the General
 Fund and Energy Resources
 Programs Account

Budget p. R 12

Requested 1987-88	\$48,904,000
Estimated 1986-87	48,892,000
Actual 1985-86	47,156,000
Requested increase (excluding amount for salary increases) \$12,000 (+0.02 percent)	
Total recommended reduction	None
Recommendation pending	752,000

1987-88 FUNDING BY ITEM AND SOURCE

Item—Description	Fund	Amount
3340-001-001—Support	General	\$36,882,000
3340-001-465—Support	Energy Resources Programs Account, General	5,138,000
Reimbursements	—	6,884,000
Total		\$48,904,000

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

	<i>Analysis page</i>
1. Merit Incentive Plan. Withhold recommendation on \$488,000 in Item 3340-001-001 for continuing the scholarship/bonus program pending receipt and analysis of information to justify the request.	331
2. Training Academy at Camp San Luis Obispo. Withhold recommendation on \$264,000 in Item 3340-001-001 for support costs associated with construction of a permanent academy pending receipt and analysis of information to justify the request for construction funds.	333

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 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 large concentrations of minority youth and high rates of youth unemployment.

The corps' headquarters is in Sacramento. It operates 17 residential base centers, 26 nonresidential satellite centers, and a temporary corpsmember training academy at Camp San Luis Obispo. The CCC also provides funding for 12 community conservation corps—8 sponsored by local governments and 4 sponsored by private/nonprofit organizations. A corpsmember's starting salary is the federal minimum wage, which is \$3.35 per hour (\$581 per month) in 1987. The budget for the current year provides funding for a total of 2,187 corpsmember-years plus 404.4 personnel-years of supervisory and administrative staff.

CALIFORNIA CONSERVATION CORPS—Continued**OVERVIEW OF THE BUDGET REQUEST**

The budget proposes total expenditures of \$48,904,000 for support of the CCC in 1987-88. This is essentially the same level of funding as in the current year (an increase of only \$12,000).

Proposed 1987-88 expenditures consist of \$36,882,000 from the General Fund, \$5,138,000 from the Energy Resources Programs Account (ERPA) in the General Fund, and \$6,884,000 in reimbursements. Funding from the ERPA (the state surcharge on electricity sales) supports the corps' energy program, including energy conservation and solar energy projects. The corps' reimbursements come from a variety of federal, state and local sponsors, including the Departments of Transportation and Fish and Game, and the U.S. Army Corps of Engineers.

The corps' budget has been reduced by \$373,000, which is approximately 1 percent of General Fund support, as a Special Adjustment. The expenditure tables which follow have not been adjusted to reflect any potential savings in 1986-87 which may be achieved in response to the Governor's December 22, 1986 directive to state agencies and departments to reduce General Fund expenditures.

Table 1 provides a three-year summary of the corps' expenditures by program and funding source. Table 1 also shows that the 1987-88 budget would increase the corps' administrative and supervisory staff by 5 personnel-years.

Proposed Budget Changes for 1987-88

Table 1
California Conservation Corps
Budget Summary
1985-86 through 1987-88
(dollars in thousands)

Program	Personnel-Years ^a			Expenditures			Percent Change From 1986-87
	Actual 1985-86	Est. 1986-87	Prop. 1987-88	Actual 1985-86	Est. 1986-87	Prop. 1987-88	
Orientation and Training							
Academy	29.0	33.3	37.2	\$3,108	\$3,557	\$3,447	-3.1%
Base and Fire Centers	251.5	272.3	271.5	39,326	40,344	40,824	1.2
Energy Program	19.1	20.0	21.9	2,404	2,491	2,506	0.6
Non-Residential Program	—	—	—	2,318	2,500	2,500	0.0
Administration ^b	74.9	78.8	78.8	(4,080)	(4,076)	(4,115)	1.0
Special Adjustment						-373	
Totals	374.5	404.4	409.4	\$47,156	\$48,892	\$48,904	—
Funding Sources							
General Fund				\$33,218	\$36,854	\$36,882	0.1%
Energy Resources Programs Account, General Fund				4,922	5,099	5,138	0.8
Reimbursements				9,016	6,939	6,884	-0.8

^a Corpsmembers serve under contract and are not counted in personnel figures.

^b Funding distributed among other programs.

Table 2 summarizes the proposed changes in the corps' budget for 1987-88. This table shows that the proposed 1987-88 budget is essentially

equal to estimated current-year expenditures as a result of offsetting changes. On the one hand, the table shows budget change proposals totaling \$314,000. On the other hand, it shows that this increase is offset by a \$302,000 net decrease in budget-year expenditures due to workload and administrative changes (including the Special Adjustment).

Table 2
California Conservation Corps
Proposed Budget Changes, by Funding Source
1987-88
(dollars in thousands)

	<i>General Fund</i>	<i>Other^a</i>	<i>Totals</i>
1986-87 Expenditures (revised)	\$36,854	\$12,038	\$48,892
Proposed Changes:			
A. Workload and Administrative Adjustments			
1. Delete current-year deficiency to relocate training academy	-410	—	-410
2. Full cost of corpsmember expansion program begun in the current year	465	81 ^b	546
3. Salmon restoration project reduction	—	-92 ^b	-92
4. Miscellaneous adjustments	32	-5	27
5. Special Adjustment	-373	—	-373
Total Workload and Administrative Changes	-286	-16	-302
B. Budget Change Proposals			
1. Training academy construction crew (5.7 PY)	\$314	—	\$314
2. Employee reclassifications funded by increased salary savings	(40)	—	—
3. Convert contract cook to staff position (0.9 PY)	—	—	—
Total Budget Change Proposals	\$314	—	\$314
1987-88 Expenditures (Proposed)	\$36,882	\$12,022 ^c	\$48,904
Change from 1986-87:			
Amount	\$28	-\$16	\$12
Percent	0.1%	-0.1%	—

^a Energy Resources Programs Account (ERPA) and reimbursements.

^b Reimbursements.

^c \$5,138,000 from ERPA and \$6,884,000 from reimbursements.

ANALYSIS AND RECOMMENDATIONS

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

- Conversion of a contract cook to a staff position (0.9 PYs).
- The reclassification of four existing positions to establish a statewide CCC facilities construction-supervision crew. Increased salaries for these positions will be funded through increased salary savings.

Incentive Plan Off to a Slow Start

We withhold recommendation on \$488,000 in Item 3340-001-001 to continue the scholarship/bonus program established in the current year. The program has been delayed and additional information is needed to estimate costs in 1987-88 as well as the prospects for achieving the program's goals.

CALIFORNIA CONSERVATION CORPS—Continued

The budget requests \$488,000 to continue providing scholarships or bonuses to graduating corpsmembers in 1987–88. In the current year, the CCC has begun a two-step merit incentive plan designed to (1) increase the number of “graduating” corpsmembers—those completing a full-year tour in the CCC—and (2) increase the number of graduating corpsmembers entering higher education. In the first step, corpsmembers are eligible to receive a 10-percent merit salary adjustment (MSA) after they complete four months in the CCC and meet certain work performance standards. The second step of the merit incentive plan gives graduating corpsmembers the option of choosing between a \$1,000 scholarship or a \$500 cash bonus, contingent upon their meeting evaluation standards in the areas of basic education, career planning, conservation awareness, and work performance. The specific objectives of the two-step program are to (1) increase by 55 percent (from 683 to 1,058) the number of corpsmembers completing a full-year tour and (2) to triple the number of corpsmembers entering higher education (from 137 to 411).

The CCC received \$987,000 in 1986–87 to implement the incentive program, \$499,000 to fund the MSA and \$488,000 to fund the scholarships and bonuses. As of January 13, 1987 the CCC indicated that approximately 92 percent of the corpsmembers considered eligible to receive the MSA had, in fact, met the evaluation criteria and received the salary increase. Results from the scholarship/bonus program, however, are markedly different.

Scholarship/Bonus Plan—Late Start and Little Information. The corps’ request for \$488,000 to fund scholarships and bonuses in the current year was based on the following assumptions:

- 683 graduating corpsmembers would be eligible for, and receive, either the scholarship or the bonus.
- 57 percent of the graduates would choose the bonus and 43 percent would choose the scholarship.

The corps originally planned to begin offering the scholarships and bonuses to corpsmembers graduating September 1, 1986. According to the corps, as of January 13, 1987 only 54 graduating corpsmembers had applied for either the scholarship or the bonus (some applications still are pending). In addition, 50 of the 54 graduates requested the bonus and only 4 graduates requested the scholarship.

The corps attributes the small number of applications for scholarships and bonuses to delays that resulted in the program becoming fully operational in January 1987—4 months late. Nevertheless, the results to date do not justify the request for \$488,000 for 1987–88. In the first six months of the current year, the corps has spent no more than \$29,000 on the scholarships and bonuses. Furthermore, the overwhelming preference for the bonus rather than the scholarship thus far would indicate that the program will cost less than anticipated even after full-scale implementation is achieved.

Unfortunately, the corps’ delay in implementing the program will make it very difficult for the Legislature to evaluate the potential of the two-step incentive program in this year’s budget process. The initial results, however, do not look positive. During the first five months of the current year, there have been only 227 graduates. Extrapolated to a full year, this would imply that there will be only 540 graduates in contrast to the 683 graduates

assumed by the corps in last year's budget request. In other words, it appears that the number of graduates actually is *decreasing* by 20 percent despite the new incentive programs designed to increase the number of graduates. Additionally, the small proportion of scholarships applied for is not consistent with the goal of increased higher education for CCC graduates. The information now available, however, is too preliminary for firm conclusions.

In summary, several months more data are needed in order to arrive at a reasonable estimate of the cost of the scholarship/bonus program in 1987-88 and its prospects for achieving its goals. Accordingly, we withhold recommendation on \$488,000 requested in Item 3340-001-001 for the scholarship/bonus program pending receipt and analysis of information through March 1987 regarding (1) the number and percentage of corpsmembers who graduate, (2) the number of graduates receiving the bonus or the scholarship, and (3) an updated estimate of the number of graduates and the cost of the incentive program in 1987-88.

Training Academy Moved to Camp San Luis Obispo

We withhold recommendation on \$264,000 from the General Fund requested for support costs associated with construction of a permanent training academy pending receipt and analysis of additional information needed to justify the capital outlay request for construction funds.

Provision 2 under Item 3340-001-001 of the 1986 Budget Act instructed the CCC to "negotiate and sign a long-term lease for the corps' academy at Fricot City by September 1, 1986." If a lease was not signed by the above date, the language directed the CCC to "relocate the training academy to another facility and request funding through the deficiency process to cover relocation costs."

The CCC was unable to negotiate a long-term lease with the owner of the Fricot training academy site but was allowed to stay at the site through 1986. On November 24, 1986 the Department of Finance notified the Legislature pursuant to Section 27 of the 1986 Budget Act that the CCC was relocating its training academy to Camp San Luis Obispo. This notification also indicated that the CCC would incur a deficiency of \$1,257,429 in the current year (\$507,600 due to moving costs and establishing a temporary training academy and \$974,829 related to construction of the permanent academy at Camp San Luis Obispo, offset by \$225,800 in lease savings). In response to concerns raised by the Legislature, the Director of Finance indicated on January 13, 1987 that he was (1) approving \$282,600, which is the deficiency amount needed for the move and the temporary facilities (\$507,600 in costs offset by the \$225,000 in savings), and (2) deferring the permanent construction work pending additional information and legislative action.

More Information Needed Before Construction Can Begin. In the budget year, the CCC is requesting \$314,000 for support costs associated with the new academy at Camp San Luis Obispo—\$214,000 for a six-member construction supervision crew (the corps intends to use these staff to supervise corpsmembers who will help in construction); \$50,000 to install a permanent communications system; and \$50,000 to continue leasing five portable units that temporarily house staff offices and corpsmember classrooms. Separately, the CCC is requesting \$763,000 in its capital outlay budget to construct a permanent facility.

In our analysis of the corps' capital outlay request, we note that additional information is needed to justify that request, and we withhold our

CALIFORNIA CONSERVATION CORPS—Continued

recommendation pending receipt and analysis of that information. Accordingly, we withhold our recommendation on \$264,000 requested in Item 3340-001-001 for the construction crew and permanent communications system pending resolution of the capital outlay issue. We recommend approval of the \$50,000 requested to lease temporary facilities.

CALIFORNIA CONSERVATION CORPS—CAPITAL OUTLAY

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

Budget p. R 16

Requested 1987-88	\$966,000
Recommended approval	203,000
Recommendation pending	763,000

ANALYSIS AND RECOMMENDATIONS

The budget proposes \$966,000 from the General Fund, Special Account for Capital Outlay, for one major and six minor (\$200,000 or less per project) capital outlay projects for the California Conservation Corps.

Major Capital Outlay—Training Academy

We withhold recommendation on \$763,000 for alterations/new construction at Camp San Luis Obispo for the Corps' training academy under Item 3340-301-036(2) pending receipt of additional information concerning the relocation of the academy from Fricot City in Calaveras County.

The budget requests \$763,000 for preliminary plans, working drawings and construction of the *first phase* of alterations/new construction to the Corps' training academy that was recently relocated from Fricot City in Calaveras County to Camp San Luis Obispo in San Luis Obispo County. The Corps estimates that the total estimated project cost for all work related to relocating the academy will be \$2,261,000. The Corps further indicates that the corpsmembers will construct a major portion of the alterations/new construction.

The budget proposal would remodel/construct restrooms, dormitories (for corpsmembers and staff), classrooms, parking areas and fencing. When completed in 1989-90, the Corps' \$2.3 million alterations/construction plan would provide additional classrooms, dormitories, administration buildings, an auditorium, auto shop, canteen, infirmary, recreation room, warehouse, landscaping and utilities.

As mentioned in our analysis of the Corps' support budget, the relocation of the training academy from its previous site at Fricot City was prompted by 1986 Budget Act language which specified that the Corps was to negotiate and sign a long-term lease for the academy at Fricot City by September 1, 1986. The language stipulated that if the lease was not signed by September, the Corps was to relocate the academy to another facility and request funding through the deficiency process to cover relocation costs. The Corps was unable to negotiate a long-term lease with the owner but was allowed to stay at the facility through calendar year 1986.

On November 24, 1986, pursuant to the deficiency process, the Director of Finance notified the Legislature that the Corps would be relocating its training academy to the state-owned Camp San Luis Obispo. The Director's letter indicated that the Corps would incur a deficiency of \$1,257,000 in the current year. Of this amount, \$976,000 was associated with construction of a permanent academy at Camp San Luis Obispo.

By letter dated December 19, 1986, the Chairman of the Joint Legislative Budget Committee indicated to the Director of Finance that because of the major policy and fiscal implications associated with establishing a permanent academy, the Legislature should have the opportunity to review the Corps' proposal in hearings on the 1987 Budget Bill. The Chairman, therefore, requested that the Corps not undertake any permanent improvements to the facilities at Camp San Luis Obispo until the Legislature had approved the location and appropriated funds for this purpose.

On January 13, 1987, the Director of Finance responded that the deficiency authorization would be approved only for temporary facilities. Moreover, the Director indicated that he would not approve a deficiency request for a permanent academy site until either the Legislature approves a deficiency bill for this purpose or the fiscal subcommittees of each house approves the Corps' proposal.

The Chairman also specified in his letter that the following information be provided to the Legislature prior to budget hearings:

- A master plan for capital improvements for the proposed training academy at Camp San Luis Obispo which details specific projects, cost estimates and a schedule for implementation.
- Other options for locating the academy.
- The support cost implications of locating the permanent academy at Camp San Luis Obispo and each of the optional locations.
- An engineering analysis of the capacity of the existing sewage system and other utility systems supporting Camp San Luis Obispo.

When this analysis was written, this information had not been submitted to the Legislature. Consequently, we withhold recommendation on the proposed alterations/new construction pending receipt of the requested information.

Minor Capital Outlay

We recommend approval.

The budget includes \$203,000 for six minor capital outlay projects. These projects are shown in Table 1.

Our analysis indicates that the department's minor capital outlay projects are warranted and the estimated costs are reasonable. Consequently, we recommend approval of the requested amount.

Table 1
California Conservation Corps
Minor Capital Outlay Program
(dollars in thousands)

<i>Project</i>	<i>Center</i>	<i>Budget Amount</i>
Kitchen Hoods/Fire Suppression System	Placer	\$18
Shower Renovation	San Bernardino	32
Shower Renovation/Upgrade	Santa Clara	83
Utility Hookups, Upgrade Water System and Final Grading	Greenwood	34
Steel Door/Panic Bars	Camarillo	15
Metal Door Installation	San Pedro	21
Total		<hr/> \$203

CALIFORNIA CONSERVATION CORPS—CAPITAL OUTLAY—Continued**Supplemental Report Language**

For purposes of project definition and control, we recommend that the fiscal committees adopt supplemental report language which describes the scope of each of the capital outlay projects approved under this item.

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

Item 3360 from various funds

Budget p. R 17

Requested 1987-88	\$145,038,000
Estimated 1986-87.....	120,637,000
Actual 1985-86	42,168,000
Requested increase (excluding amount for salary increases) \$24,401,000 (+20 percent)	
Total recommended reduction	1,005,000
Recommendation pending	118,492,000

1987-88 FUNDING BY ITEM AND SOURCE

Item—Description	Fund	Amount
3360-001-044—Support	Motor Vehicle Account, State Transportation	\$91,000
3360-001-465—Support	Energy Resources Programs Account, General	29,724,000
3360-001-479—Energy technology grants and loans	Energy Technologies Re- search, Development and Demonstration Account, General	545,000
3360-001-890—Support	Federal Trust	(1,689,000)
3360-011-031—Transfer biomass energy loan funds to General Fund	State Agricultural and For- estry Residue Utilization Account, General	(4,066,000)
3360-011-853—Purchase school buses and energy conservation assistance	Petroleum Violation Escrow Account (PVEA)	110,500,000
3360-101-034—Grants to local governments with geothermal resources	Geothermal Resources Development Account, General	3,272,000
Public Resources Code Section 25402.1—fee reve- nue	Energy Resources Programs Account	500,000
Ch 1338/86—Energy conservation assistance	PVEA	16,000
Ch 1339/86—Energy conservation assistance	PVEA	122,000
Ch 1340/86—Alternative vehicle fuel demonstra- tions	Clean Fuels Account, PVEA	21,000
Ch 1341/86—Energy conservation assistance	PVEA	21,000
Ch 1343/86—Energy conservation assistance	Local Jurisdiction Energy Assistance Account, PVEA	118,000
Reimbursements		108,000
Total		\$145,038,000

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONSAnalysis
page

1. Power Plant Siting. Withhold recommendation on \$9,220,000 and 78.4 personnel-years requested for the power plant siting program, pending receipt of (1) updated workload estimates, and (2) projection of potential workload through 1991-92. 341
2. Conservation Projects in Higher Education. Withhold recommendation on \$6 million requested from the PVEA for energy conservation and demonstration programs in the three higher education segments pending receipt of additional information from the Department of Finance explaining how the funds will be used and describing the total needs and resources available for these purposes. 342
3. School Bus Purchase and Demonstration. Withhold recommendation on \$100 million from the PVEA requested to demonstrate the performance of various engine and fuel types in approximately 1,300 school buses pending a specific description of the proposal, including information on how the 1,300 buses will be allocated among school districts and how the proposed program will relate to existing state programs to provide transportation assistance to schools. Further recommend the Legislature require the Department of Finance and the commission to submit any revised proposal to the federal Department of Energy for comment prior to enactment of the budget. 343
4. *Assistance to Local Governments. Reduce Item 3360-001-465 by \$200,000.* Recommend reduction of \$200,000 from the ERPA for a consultant contract to provide energy conservation and development assistance to local governments, because Chapter 1343/86 provides funds that can be used by local agencies for the same purpose. 344
5. *Conservation in Irrigation. Reduce Item 3360-001-465 by \$80,000.* Recommend reduction of \$80,000 from the ERPA to eliminate a consultant contract to reduce electricity costs from irrigation, because Ch 1343/86 provides PVEA funds for this purpose. 345
6. *Vague Contract Proposals. Reduce Item 3360-001-465 by \$725,000.* Recommend reduction of \$725,000 from the ERPA for contracts to (1) model the California petroleum economy, (2) collect and evaluate energy data, and (3) simulate the long-range impacts of energy use, because the proposals are too broad and vague. 345
7. Geothermal Projects. Withhold recommendation on \$3,272,000 requested from the Geothermal Resources Development Account for grants to local governments pending receipt of project proposals in April as required by law. 346

ENERGY RESOURCES CONSERVATION AND DEVELOPMENT COMMISSION —Continued

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, is authorized 363.5 personnel years in the current year.

OVERVIEW OF THE BUDGET REQUEST

The budget proposes expenditures totaling \$145,038,000 from various state funds, Petroleum Violation Escrow Account (PVEA) funds and reimbursements for support of the Energy Commission in 1987-88. This is an increase of \$24,401,000, or 20 percent, over estimated comparable current-year expenditures.

The budget proposes *total* expenditures by the commission of \$146,727,000 in 1987-88, including \$1,689,000 from federal funds. This is \$23,401,000, or 19 percent, more than the total of \$123,326,000 that the budget estimates the commission will spend during the current year.

Table 1
Energy Commission
Budget Summary
1985-86 through 1987-88
(dollars in thousands)

Program	Personnel-Years			Expenditures			Percent Change From 1986-87
	Actual 1985-86	Est. 1986-87	Prop. 1987-88	Actual 1985-86	Est. 1986-87	Prop. 1987-88	
Regulatory and planning.....	138.7	153.3	174.3	\$13,700	\$15,080	\$15,950	5.8%
Energy resources conservation ..	42.9	42.0	46.3	16,487	70,492	14,651	-79.2
Development	58.2	66.7	67.2	10,758	30,444	109,592	260.0
Policy, management and admin- istration	108.8	101.5	104.3	7,033	7,310	6,534	-10.6
Totals	348.6	363.5	392.1	\$47,978	\$123,326	\$146,727	19.0%
Funding Sources							
Energy Resources Programs Account				\$26,815	\$31,406	\$30,224	-3.8%
Energy Conservation Assistant Account				10,052	5,890	—	100.0
Energy Technologies Research, Development and Dem- onstration Account				1,613	6,587	545	-91.7
State Agricultural and Forestry Residue Utilization Ac- count				—	1,500	—	-100.0
Geothermal Resources Development Account				1,875	2,452	3,272	33.4
Petroleum Violation Escrow Account				—	72,841	110,659	51.9
Other state funds ^a				1,813	-49	230	NMF ^b
Federal Trust Fund.....				5,810	2,689	1,689	-37.2
Reimbursements				—	10	108	980.0

^a Energy and Resources Fund, Motor Vehicle Account, General Fund, Clean Fuels Account, Local Jurisdiction Energy Assistance Account.

^b Not a meaningful figure.

Table 2
Energy Commission
Proposed 1987-88 Budget Changes
(dollars in thousands)

	Energy Resources Programs Account	Other Funds ^a and Reim- bursements	Federal Funds	PVEA	Totals
1986-87 Expenditures (Revised)	\$31,406	\$16,529	\$2,689	\$72,702	\$123,326
A. Workload and Administrative Adjustments:					
1. Decrease in contracts	-2,557	—	—	—	-2,557
2. Decrease in equipment	-322	—	—	—	-322
3. Increase in operating expense and equipment	241	—	—	—	241
4. Deletion of one-time PVEA funds	—	—	—	-72,702	-72,702
5. Elimination of funds for Solar & Energy Conservation Bank program	—	—	-1,000	—	-1,000
6. Increase in reimbursements	—	98	—	—	98
7. Other adjustments	673	1	—	—	674
B. Program Changes					
Regulatory and Planning Program					
1. Increase in power plant siting (26 PYs) Conservation Program	783	—	—	—	783
2. Reduction in energy conservation loans to schools, hospitals and local governments—Ch 1462/86	—	-5,890	—	—	-5,890
3. Energy conservation projects in higher education	—	—	—	6,000	6,000
4. Energy conservation grants to schools and hospitals	—	—	—	4,500	4,500
5. Administrative support for PVEA program (8 PYs)	—	—	—	298	298
Development Program					
6. School Bus Demonstration	—	—	—	100,000	100,000
7. Reduction in biomass energy loans	—	-1,500	—	—	-1,500
8. Increase in geothermal grants	—	820	—	—	820
9. Decrease in energy technology grants and loans	—	-6,042	—	—	-6,042
1987-88 Expenditures (Proposed)	\$30,224	\$4,016	\$1,689	\$110,798	\$146,727
Change from 1986-87:					
Amount	-1,182	-12,513	-1,000	38,096	23,401
Percent	-3.8%	-75.7%	-37.2%	52.4%	19.0%

^a General Fund, State Energy Conservation Assistance Account; General Fund, State Agricultural and Forestry Residue Utilization Account; General Fund, Geothermal Resources Development Account; General Fund, Energy Technologies Research Development and Demonstration Account.

Comparison Adjusted for Pass-Through Funds and Probable Deficiency in Current Year. The comparison of the commission's budget request with its estimated current-year expenditures is distorted by two factors. First, the commission's total expenditures in both 1986-87 and 1987-88 include \$46 million (1986-87) and \$106 million (1987-88) in PVEA funds

ENERGY RESOURCES CONSERVATION AND DEVELOPMENT COMMISSION

—Continued

that will be used for programs administered by other state agencies. The most significant example of this is the inclusion of \$100 million of PVEA funds in the commission's 1987-88 budget that would be used to buy school buses in cooperation with the Department of Education and the California Highway Patrol. These funds appear in the commission's budget because under federal law the commission is the state agency that oversees California's State Energy Conservation Plan and all funds spent under the plan must flow through the commission. The state receives PVEA funds from the federal government and must spend them in accordance with federal programs and guidelines.

Second, the commission has requested authority to incur a current-year deficiency of \$4.8 million due to unanticipated workload in the commission's power plant siting program. This potential cost is not reflected in the budget document because the Department of Finance has not acted on the commission's request.

If for comparative purposes, the commission's expenditures are adjusted to exclude PVEA pass-through funds and to include the potential deficiency in the current year, the total budget request would be \$41.4 million, or 50 percent, below the adjusted estimate of current-year expenditures primarily due to decreases in PVEA funds for commission programs (-\$23.5 million) and in proposed expenditures for loan and grant programs (-\$13.4 million).

Significant Budget Changes

Table 2 summarizes the changes in the commission's budget proposed for 1987-88, by funding source.

ANALYSIS AND RECOMMENDATIONS

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

- Decreases totaling \$1.9 million due to workload and administrative adjustments and elimination of one-time expenditures of \$72.7 million from the Petroleum Violation Escrow Account.
- A reduction of \$5.9 million from the Energy Conservation Assistance Account (ECAA) for energy conservation assistance loans to schools, hospitals and local governments. Chapter 1462, Statutes of 1986, diverted all ECAA loan repayments in 1986-87 and 1987-88 to the AIDS Vaccine Research and Development Grant Fund. Consequently, the budget estimates that the ECAA will not have any available funds with which to make loans in 1987-88.
- An increase of \$298,000 from the PVEA for eight personnel-years to help administer new PVEA programs that were authorized in legislation.
- A reduction of \$1 million from federal funds reflecting the termination of the federal Solar and Energy Conservation Bank program.
- A decrease of \$6 million in the amount requested from the Energy Technology Research, Development and Demonstration Account. The budget requests \$545,000 from the account in 1987-88. This is the entire amount available. The budget estimates that the commission will spend \$6.6 million from the account in the current year to finance loans and grants to develop new energy technologies pursuant to Ch 1595/84.

Termination of the Biomass Energy Development Program*We recommend approval.*

The budget proposes to terminate the commission's biomass energy development program on July 1, 1987 and transfer (in Item 3360-011-031) \$4,066,000 from the State Agricultural and Forestry Residue Utilization Account (SAFRUA) to the General Fund. This amount represents the commission's estimate of the maximum amount of funds (including loan repayments) that could be available in the SAFRUA in 1987-88.

Better Power Plant Siting Workload Data Anticipated

We withhold recommendation on \$9,220,000 from the Energy Resources Programs Account (\$9,112,000 in Item 3360-001-465 and \$108,000 in reimbursements) and 78.4 personnel-years requested for the power plant siting program, pending receipt of (1) updated workload estimates, and (2) a projection of potential workload through 1991-92.

The budget requests \$9,220,000 and 78.4 personnel-years for the commission's power plant siting program in 1987-88. The request consists of (1) \$1,783,000 for 20 new positions and related expenses plus continuation of 6 limited-term positions on a permanent basis, and (2) \$2,317,000 for a consultant contract to assist the commission in handling power plant siting workload. The commission indicates that its request for 20 new positions was based on projections showing a continued workload for this staff over the next five years.

Much Uncertainty in Commission's Workload Estimates. Historically, estimating power plant siting workload has been difficult. For example, the power plant siting program incurred deficiencies of \$1.9 million and \$3.0 million in 1984-85 and 1985-86, respectively. In the current year, the commission has asked the Director of Finance to approve a deficiency of \$4.8 million. Increased workload over the last several years primarily reflects growth in siting applications for nonutility cogeneration power plants.

Power plant siting workload for 1987-88 and for the following four years continues to be subject to large uncertainties. This is because (1) the economics of electricity production have been changing dramatically and (2) the commission is considering new siting policies that will affect the number of plants that will be eligible for certification over the next few years. As a result, the commission indicates that it is going to reevaluate its staffing needs in the power plant siting program and may amend its budget request in March, when it can estimate workload more accurately. Accordingly, we withhold recommendation on the commission's request for 78.4 personnel-years of staff and \$9,220,000 (\$9,112,000 from the Energy Resources Programs Account and \$108,000 in reimbursements) for power plant siting, pending receipt and analysis of updated workload projections from the commission.

Petroleum Violation Escrow Account Proposals

The budget requests a total of \$127 million from the Petroleum Violation Escrow Account (PVEA) in the budgets of four agencies. Of the \$127 million included in the budget, the Energy Commission's budget contains the largest amount, \$110.5 million. The remaining \$16.5 million is in the budgets of the Department of Transportation (\$10 million), California Waste Management Board (\$1 million), and the Department of Economic Opportunity (\$5.5 million). We discuss those proposals in our analyses of

ENERGY RESOURCES CONSERVATION AND DEVELOPMENT COMMISSION
—Continued

the budget requests for those agencies.

The commission's PVEA budget request consists of the following:

- \$100 million for a program to demonstrate the performance of various engine and fuel types in approximately 1,300 elementary school buses in unspecified school districts around the state.
- \$6 million for energy conservation and demonstration programs to be divided equally among the three segments of public higher education.
- \$4.5 million for energy conservation grants to public and nonprofit schools and hospitals, which require recipients to match the grant funds provided.

The Budget Bill includes language (Provisions 1 and 2 of Item 3360-011-853) that (1) requires approval by the federal Department of Energy prior to any expenditure and (2) makes these appropriations available for three years.

We recommend approval of the request for \$4.5 million for an existing program of energy conservation grants to public and nonprofit schools and hospitals because the commission indicates that it has a backlog of roughly \$10 million in unfunded grant requests for projects that promise significant energy cost savings. We discuss the remaining two proposals below.

More Information Needed on Conservation Programs in Higher Education Segments

We withhold recommendation on the \$6 million requested from the PVEA (Item 3360-011-853) for energy conservation and demonstration programs in the three higher education segments pending receipt of additional information from the Department of Finance explaining how the funds will be used and describing the total needs and resources available for these purposes.

The budget requests a total of \$6 million from the PVEA for energy conservation and demonstration projects at the University of California (\$2 million), California State University (\$2 million), and the California Community Colleges (\$2 million). The proposed expenditures would be made under the State Energy Conservation Plan (SECP).

Proposal Does Not Identify Specific Uses for Funds. The request does not identify the specific projects that the segments intend to undertake with PVEA funds. Nor does the budget indicate why the funds are needed in addition to other state funds available for similar purposes. The higher education segments also are eligible for and receive funds from various other sources for energy conservation and demonstration projects. For example, our analysis indicates that more than \$16 million already is available to the segments for similar purposes including \$12 million appropriated by Ch 1343/86 (SB 880).

Accordingly, we withhold recommendation on the requested \$6 million, pending receipt from the Department of Finance of additional information about the planned use of these funds and the other funds available for similar purposes.

School Bus Demonstration Proposal

We withhold recommendation on \$100 million from the PVEA requested to demonstrate the performance of various engine and fuel types in approximately 1,300 elementary school buses pending receipt and analysis of a specific program description, including how the 1,300 buses will be allocated among school districts and how the proposed program will relate to existing state programs to provide transportation assistance to schools. We further recommend that the Legislature direct the commission and the Department of Finance to submit any revised proposal to the Department of Energy in time for it to review and comment prior to enactment of the budget.

The budget requests \$100 million from the PVEA to demonstrate the performance of various engine and fuel types in 1,300 school buses that will be purchased for unspecified school districts. The buses would comply with safety criteria of the Highway Patrol, and the commission would consult with the Department of Education in implementing the program. The stated objective of the program is "to enable school districts to upgrade their fleets in a cost-effective, environmentally sound manner." The proposed demonstration consists of three phases:

- Test prototype buses in school districts.
- Test up to 10 bus types selected from prototypes in school districts.
- Assist school districts to buy buses with appropriate fuel, engine, and safety features.

Proposal Lacks Specificity. The request for \$100 million is not supported by a specific plan. For example, the proposal does not specify (1) the engines and fuels to be tested or the criteria which will be used to select the types of buses to be demonstrated, (2) how the 1,300 buses will be allocated among the state's school districts, and (3) how this proposal relates to existing state programs that provide transportation funds to school districts. Consequently, the Legislature does not have the information needed to judge the merits of the proposal.

Administration Should First Submit Proposal to Department of Energy for Approval. The federal government allows states to spend PVEA funds in accordance with five federal energy conservation or assistance programs. The budget proposes to spend the \$100 million under one of these programs, the State Energy Conservation Plan (SECP).

Although the SECP program can include a wide variety of activities, it is not clear that buying school buses is an allowable use of the funds under federal regulations. Without a specific proposal and a subsequent determination by the federal Department of Energy (DOE), this question cannot be definitively answered. The Department of Finance indicates, however, that it does not plan to submit the school bus proposal to the Department of Energy until *after* the Legislature appropriates the requested funds.

The administration's proposal to delay DOE review may place additional pressure on other state funds. This is because if DOE were to determine that funds were spent in a manner which was inconsistent with federal requirements the state might be required to repay the PVEA funds from other state funds. The DOE has indicated to us, however, that it would review any proposal for expenditure of PVEA funds within about 45 days of receipt.

Although the budget request stipulates that expenditure of the \$100 million would be contingent on federal approval of the proposal, we believe the state should take advantage of the DOE's willingness to review

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

the proposal earlier. We therefore recommend that the Legislature not consider the school bus proposal until the administration has submitted it to the DOE.

Conclusion. The administration has not provided the Legislature with sufficient information about the proposed school bus demonstration program. Accordingly, we withhold recommendation pending a specific description of the proposal, including how the 1,300 buses will be allocated among school districts and how this program will relate to existing state programs to provide transportation assistance to school districts. We further recommend that the Legislature direct the commission and the Department of Finance to submit any revised proposal to the DOE in time for it to review and comment prior to enactment of the budget.

Consultant Contract Proposals

The budget requests a total of \$5,983,000 for contract assistance for the commission in 1987-88 (excluding contracts for power plant siting workload assistance). This amount consists of \$5,883,000 from the ERPA and \$100,000 from the Geothermal Resources Development Account. The 1987-88 request is \$874,000, or 13 percent, less than estimated consultant contract expenditures for similar purposes in the current year.

Based on our evaluation of each of the commission's 57 consultant contract proposals, we recommend approval of \$4,978,000 requested for 52 contracts. Our analysis indicates that the remaining five contract proposals, totaling \$1,005,000, are not justified. Our evaluation of these five proposals follows.

Technical Support Contract Can Be Funded from PVEA

We recommend a reduction of \$200,000 from the ERPA for a consultant contract to provide energy conservation and development assistance to local governments, because Chapter 1343/86 provides funds from the PVEA that can be used by local agencies for the same purpose. (Reduce Item 3360-001-465 by \$200,000.)

The budget requests \$200,000 from the ERPA for a consultant contract to provide technical assistance to its Energy Partnership Program (EPP). The commission established the program in 1983-84 with \$1 million appropriated from PVEA funds in the 1983 Budget Act. The act specified that the \$1 million was "... for assistance to local governments to arrange third-party financing of alternative energy and energy conservation projects relating to local public facilities." The 1985 Budget Act extended the availability of the \$1 million through 1986-87.

\$10 Million Currently Available for Technical Assistance to Local Jurisdictions. Chapter 1343, Statutes of 1986 (SB 880) established the Local Jurisdiction Energy Assistance program to provide (1) financial assistance to local jurisdictions for staff training, support services and technical support for various energy programs, and (2) loans to (a) purchase, maintain and evaluate various energy conservation and production equipment, and (b) improve the operating efficiency of local transportation systems. The act appropriated \$10 million for financial assistance for local energy training and management and technical support and \$4 million for the loan program. Repayments of loans under this program are continuously appropriated to the commission for additional loans.

The commission proposes to use the \$200,000 requested from the ERPA for a consultant contract to provide information about successful energy conservation and development projects and methodologies to local jurisdictions.

Our analysis indicates that the commission could provide the same services to local jurisdictions from the \$10 million already provided by Chapter 1343 for staff training and technical support. Under Chapter 1343, for example, the commission can provide funds to local jurisdictions, including regional planning agencies or joint powers authorities, in order for them to contract directly for the same type of technical assistance that the commission would provide under the budget proposal. We therefore recommend a reduction of \$200,000 from the ERPA.

Energy Conservation Proposal for Agriculture Duplicates New Law

We recommend a reduction of \$80,000 from the ERPA to eliminate a consultant contract for technical assistance to reduce electricity costs from irrigation, because Ch 1341/86 provides funds for this purpose. (Reduce Item 3360-001-465 by \$80,000.)

The budget requests \$80,000 from the ERPA for a consultant contract to provide technical assistance to irrigation districts and farms to help reduce the costs of electricity to pump water for irrigation. The commission proposes to conduct small demonstrations of methods to cut irrigation costs and to produce an information guide that can be distributed to the agricultural community.

Chapter 1341/86 Provided Funds for Energy Conservation on Farms. Chapter 1341, Statutes of 1986, provided a total of \$5 million from the PVEA for a farm energy assistance program. The act provides the funds for (1) demonstrations of energy conservation tillage and harvesting techniques (\$1 million), (2) a revolving loan fund for agriculture energy conservation and development demonstration projects, including energy projects for irrigation, (\$3 million), and (3) technical assistance for agriculture energy extension services (\$1 million). The act requires the commission, in coordination with the Department of Food and Agriculture, to enter into an agreement with the University of California to provide the technical assistance services.

Budget Proposal Eligible for \$1 Million of PVEA Funds Provided in Ch 1341/86. The commission's proposal to demonstrate energy conservation measures for irrigation is reasonable but the commission has not demonstrated that it requires additional funds. This program already is authorized under Ch 1341/86, and the commission has not explained why the proposed project could not be carried out with \$1 million in technical assistance funds from the PVEA provided in that act. We therefore recommend a reduction of the \$80,000 requested from the ERPA because existing funds are available.

Three Consultant Contracts Not Justified

We recommend a reduction of \$725,000 from the ERPA requested for three consultant contracts to (1) model the California petroleum economy, (2) collect and evaluate energy data, and (3) simulate long-range impacts of energy use factors on the state, because the proposals are too vague. (Reduce Item 3360-001-465 by \$725,000.)

The budget requests a total of \$725,000 from the ERPA for the following three consultant contracts:

ENERGY RESOURCES CONSERVATION AND DEVELOPMENT COMMISSION —Continued

1. Model the California Petroleum Economy. (\$350,000). The consultant would "develop a modeling framework to assess the impacts on California of ongoing changes in petroleum production, refining, transportation, and consumption" that could help "... identify potential market inefficiencies which could require policy intervention."

2. Collect and Evaluate Energy Data. (\$200,000). The consultant would "help examine future mixes of energy resources which can lower ratepayer costs, improve our environment, make our energy system more secure and reliable, and improve California's economy."

3. Simulate Long-Range Impact of Energy Factors on the State. (\$175,000). The consultant would "develop an analytical framework to simulate the long-range impacts on California's industrial, agricultural, and utility sectors of changes in factors influencing energy use."

Commission Proposals Not Defined. These three proposals do not define any *specific* problems that the contract studies would address. The proposals also do not identify how the commission will use results from the contracts in making any of its regulatory decisions. Finally, the commission has not described why existing information, including that provided by ongoing commission programs to collect and analyze energy information, are not adequate to provide the information the commission asserts it needs. In sum, the commission's proposals are vague and not defined. We therefore recommend a reduction of \$725,000 from the ERPA to delete funds requested for the three consultant contract proposals.

Geothermal Resources Development Account Proposals

Commission to Submit Geothermal Project Proposals in April

We withhold recommendation on \$3,272,000 requested from the Geothermal Resources Development Account in Item 3360-101-034 for grants to local governments, pending receipt of project proposals in April as required by law.

The budget requests \$3,272,000 from the Geothermal Resources Development Account (GRDA) for grants to local governments that have geothermal resources. This is \$820,000, or 33 percent, more than estimated expenditures from this account in the current year.

The GRDA receives revenue from geothermal developments on federal lands. Section 3822 of the Public Resources Code specifies that 30 percent of the GRDA funds shall be available to the commission to provide grants to local governments with geothermal resources for various programs. Section 3822.1 of the code requires the commission to submit to the Legislature by April 1 of each year a list of local government projects for which the commission intends to provide grants from the GRDA. The commission indicates that it will provide this list to the Legislature by April. We therefore withhold recommendation on the \$3,272,000 requested from the GRDA, pending receipt of the commission's list of proposed grants.

Resources Agency
CALIFORNIA WASTE MANAGEMENT BOARD

Item 3380 from the General
Fund

Budget p. R 30

Requested 1987-88	\$5,204,000
Estimated 1986-87	4,284,000
Actual 1985-86	4,011,000
Requested increase (excluding amount for salary increases) \$920,000 (+21.5 percent)	
Recommendation pending	1,000,000

1987-88 FUNDING BY ITEM AND SOURCE

Item—Description	Fund	Amount
3380-001-001—Support	General	\$4,175,000
3380-001-853—Waste-to-energy research and dem- onstration	Petroleum Violation Escrow Account	1,000,000
Reimbursements	—	29,000
Total		\$5,204,000

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

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1. Waste-To-Energy Research. Withhold recommendation on \$1 million requested from the Petroleum Violation Escrow Account in Item 3380-001-853 to study the environmental effects of waste-to-energy facilities, pending receipt and analysis of the board's proposal.

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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 is authorized 63.7 personnel-years in the current year.

OVERVIEW OF THE BUDGET REQUEST

The budget requests a total of \$5,204,000 for support of the California Waste Management Board in 1987-88. This amount is \$920,000, or 21.5 percent, more than estimated current-year expenditures. The increase is due entirely to a proposal to spend \$1 million from the Petroleum Violation Escrow Account (PVEA) to fund research on, and demonstrations of,

CALIFORNIA WASTE MANAGEMENT BOARD—Continued

the environmental affects of technology to convert municipal wastes to energy. Revenues in the PVEA are derived from settlements paid to the federal government by oil companies for alleged violations of oil price controls. The federal government has distributed much of these funds to the states so that they can provide restitution to the public.

In contrast with total spending, proposed General Fund expenditures decline slightly. The board's budget requests \$4,175,000 from the General Fund in 1987-88. This is \$80,000, or 1.8 percent, less than estimated General Fund expenditures in the current year. The budget has been reduced by \$42,000, which is approximately 1 percent of the General Fund support, as a "Special Adjustment."

The expenditure tables which follow have not been adjusted to reflect any potential savings in 1986-87 which may be achieved in response to the Governor's December 22, 1986 directive to state agencies and departments to reduce General Fund expenditures. 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
1985-86 through 1986-87
(dollars in thousands)

	<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>Program:</i>	<i>1985-86</i>	<i>1986-87</i>	<i>1987-88</i>	<i>1985-86</i>	<i>1986-87</i>	<i>1987-88</i>	<i>From</i>
Monitoring/Enforcement.....	27.2	30.9	31.3	\$2,431	\$2,785	\$2,771	-0.5%
Resource Conservation.....	16.4	18.3	18.3	1,580	1,499	2,475	65.0
Administration ^a	16.0	14.5	15.5	(1,281)	(1,065)	(1,043)	-2.1
Special Adjustment.....	—	—	—	—	—	-42	NMF ^b
Totals.....	59.6	63.7	65.1	\$4,011	\$4,284	\$5,204	21.5%
Funding Sources							
General Fund.....				\$3,891	\$4,255	\$4,175	-1.8%
Environmental License Plate Fund.....				94	—	—	—
Petroleum Violation Escrow Account.....				—	—	1,000	NMF ^b
Reimbursements.....				26	29	29	—

^a Funding for administration is distributed to other programs.

^b Not a meaningful figure.

Proposed Budget Changes

Table 2 shows the changes proposed in the California Waste Management Board's budget for 1987-88 by funding source.

Table 2
California Waste Management Board
Proposed Budget Changes
1987-88
(dollars in thousands)

	General Fund	Other	Total
1986-87 Expenditures	\$4,255	\$29 ^a	\$4,284
Workload and Administrative Adjustments:			
1. Employee compensation increases and other administrative adjustments	42		42
2. Miscellaneous adjustments (1.4 PY)	-80		-80
3. Special Adjustment	-42		-42
Program Changes:			
1. Study environmental impacts of waste-to-energy projects		1,000 ^b	1,000
1987-88 Expenditures (Proposed)	\$4,175	\$1,029	\$5,204
Change from 1986-87:			
Amount	-\$38	\$1,000	\$920
Percent	-0.9%	NMF ^c	21.5%

^a Reimbursements

^b Petroleum Violation Escrow Account

^c Not a meaningful figure

ANALYSIS AND RECOMMENDATIONS

We recommend approval of the workload and administrative adjustments.

No Proposal for PVEA Funds

We withhold recommendation on \$1 million requested from the Petroleum Violation Escrow Account for waste-to-energy research, pending receipt and review of the board's proposal.

The budget requests \$1 million from the Petroleum Violation Escrow Account for research on the environmental impacts of facilities to convert municipal wastes to energy. We had received no information on this proposal at the time this analysis was prepared. Consequently, we withhold recommendation on the \$1 million requested for the waste-to-energy research, pending receipt and detailed review of the board's proposal.

Resources Agency AIR RESOURCES BOARD

Item 3400 from the General
Fund and special funds

Budget p. R 34

Requested 1987-88	\$58,953,000
Estimated 1986-87	93,170,000
Actual 1985-86	52,776,000
Requested decrease (excluding amount for salary increases) \$34,217,000 (-37 percent)	
Total recommended reduction	1,272,000
Recommendation pending	1,102,000

1986-87 FUNDING BY ITEM AND SOURCE

Item—Description	Fund	Amount
3400-001-001—Support	General	\$5,815,000
3400-001-044—Support	State Transportation, Motor Vehicle Account	36,870,000
3400-001-115—Support	Air Pollution Control	2,366,000
3400-001-140—Acid rain research	Environmental License Plate	2,260,000
3400-001-420—Biennial smog inspection program	Vehicle Inspection	1,728,000
3400-001-465—Cogeneration	General, Energy Resources Programs Account	182,000
3400-001-890—Support	Federal Trust	(2,770,000)
3400-101-044—Subventions to local air pollution control districts	State Transportation, Motor Vehicle Account	7,511,000
Ch 1390/85	Offshore Energy Assistance	53,000
Reimbursements		2,168,000
Total		\$58,953,000

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

Analysis
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1. Threat of EPA Sanctions. Recommend the board report at hearings on (1) the status of the Reasonable Extra Efforts Program (REEP), (2) the likelihood of EPA imposing sanctions, and (3) the additional measures ARB is proposing to meet the federal air quality standards. 354
2. Subvention Program. Recommend the board report at hearings on (1) why basin plans are not required as a condition for distributing subventions to districts and (2) recommendations for allocation criteria that will best promote air pollution control. 355
3. Rural Grant Program. Withhold recommendation on \$500,000 requested for rural air pollution control districts, pending receipt of the board's report evaluating the need for the grants. 356
4. *Compliance Assistance Program. Reduce Item 3400-001-001 by \$36,000 and Item 3400-001-044 by \$236,000 and eliminate 4.5 positions.* Recommend reduction because there will not be sufficient workload for all of the requested positions in the first year of the program. 356

5. *San Joaquin Valley Study. Reduce Item 3400-001-140 by \$1 million.* Recommend reduction to delete state's share of study cost because the ARB already has the necessary data for Kern County and a valley-wide study has not been justified. Withhold recommendation on \$602,000 and 8 positions to provide technical assistance for the study, pending receipt and analysis of study workplan. 357

GENERAL PROGRAM STATEMENT

The Air Resources Board (ARB) is responsible for achieving and maintaining satisfactory air quality in California. This responsibility requires the board to establish ambient air quality standards for certain pollutants, regulate vehicle emissions, identify and control toxic air pollutants, administer air pollution research studies, develop and implement the State Implementation Plan for the attainment and maintenance of federal air quality standards and oversee the regulation of stationary sources of pollution by local air pollution control districts.

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.

The board is authorized 573.2 personnel-years in the current year.

OVERVIEW OF THE BUDGET REQUEST

The budget requests a total of \$58,953,000 from state funds and reimbursements for support of the Air Resources Board in 1987-88. These funds are primarily from the Motor Vehicle Account (MVA) in the State Transportation Fund and from the General Fund. The amount requested is \$34,217,000, or 37 percent, less than estimated current year expenditures from state funds and reimbursements. The board's total proposed expenditures for 1987-88, including federal funds, are \$61,723,000—a decrease of \$34,239,000, or 36 percent, below total current-year estimated expenditures. This large decrease primarily is due to a one-time expenditure of \$35.3 million in federal funds in the current year by the Environmental Affairs Agency. Specifically, these funds were used to implement the Coastal Resources and Energy Assistance Act (Ch 1390/85). Excluding this special expenditure, total proposed spending is \$1,061,000, or 1.7 percent, more than current-year spending. The budget has been reduced by \$59,000, which is approximately 1 percent of the General Fund support, as a "Special Adjustment."

The expenditure tables which follow have not been adjusted to reflect any potential savings in 1986-87 which may be achieved in response to the Governor's December 22, 1986 directive to state agencies and departments to reduce General Fund expenditures.

Table 1 summarizes the staffing and expenditures for the board from 1985-86 through 1987-88. It shows that the budget proposes to increase the board's staff by 18.6 personnel-years. Table 2 shows the proposed budget changes, by funding source, for the board in 1987-88.

AIR RESOURCES BOARD—Continued

Table 1
Air Resources Board
(Including Environmental Affairs Agency)
Budget Summary
1985-86 through 1987-88
(dollars in thousands)

Program:	Personnel-Years			Expenditures			Percent Change From 1986-87
	Actual	Est.	Prop.	Actual	Est.	Prop.	
	1985-86	1986-87	1987-88	1985-86	1986-87	1987-88	
Air Pollution Control Program							
Technical Support	70.7	70.5	78.1	\$6,841	\$7,383	\$7,925	7.3%
Stationary Source	85.2	85.9	94.1	13,656	14,871	15,041	1.1
Mobile Source	70.9	69.5	71.3	5,709	7,663	7,459	-2.7
Compliance	38.1	36.8	45.4	3,682	3,497	4,117	18.0
Research	45.1	44.7	44.7	11,045	11,333	11,435	0.9
Aerometric Data	71.1	70.6	71.6	6,628	7,434	7,289	-2.0
Haagen-Smit Laboratory	90.7	87.1	88.0	6,705	7,191	7,224	0.5
General Support:							
Distributed to other programs	103.1	99.1	99.6	(6,341)	(7,000)	(7,171)	—
Undistributed	0.4	1.0	1.0	9	22	22	—
Environmental Affairs Program	7.3	8.0	8.0	722	36,568	1,270	-99.2
Special Adjustment	—	—	—	—	—	-59	NMF ^a
Totals	582.6	573.2	601.8	\$54,997	\$95,962	\$61,723	-36%
Funding Sources							
General Fund				\$5,909	\$5,864	\$5,815	-0.8
Motor Vehicle Account, State Transportation Fund ..				40,160	46,048	44,381	-3.6
Air Pollution Control Fund				2,196	2,379	2,366	-0.5
California Environmental License Plate Fund				1,200	1,200	2,260	88.3
Vehicle Inspection Fund				2,392	708	1,728	144.1
Energy Resources Programs Account, General Fund				179	183	182	-0.5
Federal funds				2,221	2,792	2,770	-0.8
Offshore Energy Assistance Fund				—	24,853	53	-99.8
Local Coastal Program Improvement Fund				—	10,500	—	—
Reimbursements				740	1,435	2,168	51.1

^a Not a meaningful figure.

Table 2
Air Resources Board
(Including the Environmental Affairs Agency)
Proposed 1987-88 Budget Changes
(dollars in thousands)

	<i>General Fund</i>	<i>Motor Vehicle Account</i>	<i>Air Pollution Control Fund</i>	<i>Other^a Special Funds</i>	<i>Federal Funds and Reimburse- ments</i>	<i>Total</i>
1986-87 Expenditures (Revised)	\$5,864	\$46,048	\$2,379	\$37,444	\$4,227	\$95,962
A. Workload and Administrative Adjustments:						
1. Deletion of one-time expenditures	-79	-498	-566	-35,375	—	-36,518
2. Gray-market vehicle program funding shift	—	-48	48	—	—	—
3. Adjustment for full-year costs	—	176	—	—	—	176
4. Limited-term positions expiring	-11	-538	—	—	—	-549
5. Miscellaneous/Special Adjustment	-4	86	-98	154	-63	75
B. Program Changes:						
1. Vehicular control measures to reduce excess emissions (5.7 PYs)	—	495	—	—	—	495
2. Compliance assistance program (8.6 PYs)	73	432	15	—	24	544
3. Toxic air contaminant program (11.4 PYs)	45	410	200	—	—	655
4. Vehicle recall program (0.9 PYs)	—	(55)	—	—	—	(55)
5. Replace automated system for vehicle testing	—	—	250	—	—	250
6. San Joaquin Valley study (7.6 PYs)	84	380	138	1,000	—	1,602
7. Smog Check program fund shift	—	-1,000	—	1,000	—	—
8. Recall testing fees	—	-500	—	—	500	—
9. New vehicle certification fees	—	-250	—	—	250	—
10. Funding redirection for items 2 and 6 above	-157	-812	—	—	—	-969
1987-88 Expenditures (Proposed)	\$5,815	\$44,381	\$2,366	\$4,223	\$4,938	\$61,723
Changes from 1986-87:						
Amount	-49	-1,667	-13	-33,221	711	-34,239
Percent	-0.8%	-3.6%	-0.5%	-89%	17%	-36%

^a Offshore Energy Assistance Fund, Local Coastal Program Improvement Fund, Vehicle Inspection Fund, and Environmental License Plate Fund.

New Fee Systems.

The budget requests a funding shift of \$750,000 from the Motor Vehicle Account to reimbursements because the board is proposing legislation which will cover essentially all program costs for the vehicle recall program (\$500,000), and the vehicle certification program (\$250,000). Fees will be charged to automobile manufacturers to recover the board's costs

AIR RESOURCES BOARD—Continued

associated with these programs. The board's proposal assumes the legislation authorizing a fee system will be effective in time to fund the full cost of the programs in 1987-88.

ANALYSIS AND RECOMMENDATIONS

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

- \$495,000 and 5.7 personnel-years (PYs) to develop and implement strategies that would reduce excess emissions from motor vehicles that are in use, but do not meet emission standards.
- \$655,000 and 9.5 PYs to develop control measures for toxic air contaminants. The increase is needed to meet the goal of developing control measures for five to six substances per year.
- \$112,000 redirected from contracted funds to hire 1.9 PYs to inventory emissions of toxic pollutants.
- \$55,000 (redirected from contract funds) to establish 0.9 PYs to work with vehicle manufacturers to ensure that recalled vehicles are being repaired correctly.
- \$250,000 for the first year of a two-year program to replace the data collection system that the board's laboratory uses to test vehicle emissions.
- Funding shift of \$1 million from the Motor Vehicle Account to the Vehicle Inspection Fund to reflect costs to evaluate the emission reductions resulting from the smog check program.

Will EPA Impose Sanctions on California?

We recommend that the board report at budget hearings on (1) the status of the proposed federal Reasonable Extra Efforts Program (REEP), (2) the likelihood of EPA imposing sanctions, and (3) the additional measures the board plans to adopt to reduce motor vehicle emissions.

The federal Clean Air Act establishes a deadline of December 31, 1987 for states to demonstrate attainment of the national ambient air quality standards for ozone and carbon monoxide (CO). According to the Air Resources Board, seven areas of the state may not attain the ozone or CO standards by the deadline (South Coast Air Basin, San Francisco Bay Area, San Diego Air Basin, Sacramento Air Quality Maintenance Area, Ventura County, Fresno County, and Kern County).

The Clean Air Act provides for the Environmental Protection Agency (EPA) to impose sanctions on the areas that fail to attain the air quality standards by the 1987 deadline. Sanctions include (1) a ban on the construction or expansion of large industrial facilities that are sources of air pollution and (2) withholding federal highway and sewage plant construction funds.

Reasonable Extra Efforts Program (REEP). As an alternative to imposing sanctions, EPA's Region 9 in San Francisco developed and proposed the "Reasonable Extra Efforts Program" (REEP) which requires adoption of additional control measures for nonattainment areas. The program is intended to avoid penalizing areas that have adopted the most stringent control measures reasonably available, but still fail to meet the standards.

The threat of sanctions remains, however, because the EPA has not

officially adopted REEP, and a lawsuit has been filed challenging EPA's authority to offer REEP as an alternative to sanctions. The EPA is expected to make a final decision by the end of February on whether to adopt REEP, and Congress has scheduled hearings in March to review the program and determine if it is consistent with the intent of the Clean Air Act. The courts also may intervene, but no court date has been set for hearing the pending lawsuit.

ARB's REEP Requirements. The ARB is required, along with the nonattainment districts, to submit a report to the EPA in February on its plan to adopt additional measures to reduce emissions from motor vehicles. The ARB has prepared an interim plan which sets emission reduction goals and describes various measures which it is considering for adoption in order to reach these goals.

Among the measures that the ARB is considering are (1) more stringent emission standards for motor vehicles, (2) adoption of regulations which result in vehicles meeting the emission standard for a greater number of miles, (3) expanding the manufacturer recall program for in-use vehicles that do not meet requirements, and (4) improving the smog check program.

Because there is a possibility of federal sanctions being imposed on seven areas of the state, including the South Coast Basin and the San Francisco Bay Area, we recommend that the board report at budget hearings on (1) the status of REEP, (2) the possibility of federal sanctions if REEP is not adopted, and (3) the ARB's plans to meet federal requirements, including the identification of any additional resources needed.

No Performance Conditions Tied to Subvention Program

We recommend the board report at budget hearings on (1) why basin plans are not required as a condition for distributing air pollution control subventions to local districts, as required by existing law, and (2) the board's recommendations for allocation criteria that will best promote air pollution control.

The budget requests \$7,511,000 from the Motor Vehicle Account (MVA) to provide subventions to air pollution control districts. (This includes \$500,000 for a special rural grant program discussed in the following issue.) The requested amount is the same as current-year estimated expenditures.

Background. Responsibility for controlling air pollution in California is shared by the ARB and the 43 air pollution control districts. The ARB controls emissions from motor vehicles, and the districts control emissions from stationary sources such as industrial plants. The ARB also is responsible for overseeing district activities to ensure that they are taking the necessary steps to meet state and federal ambient air quality standards.

The Health and Safety Code authorizes the ARB on the basis of population to subvene funds to districts which are "engaged in the reduction of air contaminants pursuant to the basinwide air pollution control plan and related implementation programs." The basin plans include (1) an estimate of the emission reductions needed to achieve or maintain the state and federal air quality standards in a basin, and (2) a list of emission control regulations to be adopted which will result in the necessary reductions.

No Basin Plans or Performance Conditions. The ARB currently allocates subvention funds to districts solely on the basis of population. The ARB has not required the preparation of nor reviewed basin plans since

AIR RESOURCES BOARD—Continued

1977. Furthermore, the ARB has not used any measure of district performance or effort as a basis for allocating the subvention funds since approximately 1981.

The ARB's oversight of district activities has been conducted outside the subvention program and has focused on the 11 districts that do not meet the federal air quality standards. Consequently, the ARB has exercised little oversight of the other 32 districts. As a result, there is no assurance that the districts are using the subvention funds effectively to protect air quality. We therefore recommend that the board report at budget hearings on (1) why basin plans or other performance criteria are not required as a condition for distributing subvention funds and (2) the board's recommendations for allocation criteria that will best promote effective air pollution control.

Report on Status of the Rural Grant Program Expected

We withhold recommendation on \$500,000 requested in Item 3400-101-044 to continue the special grant program for rural air pollution control districts, pending receipt and analysis of the Air Resources Board's report on the need for, and effectiveness of, the grant program.

The budget requests \$500,000 in 1987-88 from the Motor Vehicle Account to provide a second year of funding for grants to rural air pollution control districts. This special grant program was added by the Legislature in the 1986 Budget Act. In order to qualify for the grants, districts must have a fee structure which recovers all costs associated with the regulation of major sources of pollution (sources that produce 100 tons per year or more).

The *Supplemental Report of the 1986 Budget Act* directed the ARB to report to the Legislature by February 1, 1987 on the status of the rural grant program, and the availability of local revenue sources to fund air pollution control programs. At the time this analysis was written, the report had not been released. The information in the report should be useful to the Legislature in determining whether to continue the rural grant program. We therefore withhold recommendation on \$500,000 requested for the special grant program, pending receipt and analysis of the report.

Compliance Assistance Program Overbudgeted

We recommend a reduction of \$272,000 and 4.5 positions (\$36,000 General Fund and \$236,000 Motor Vehicle Account) for the Compliance Assistance Program because these staff will not be needed in the program's first year. (Reduce Item 3400-001-001 by \$36,000 and Item 3400-001-044 by \$236,000.)

The budget requests \$544,000 and nine positions to develop a compliance assistance program for air pollution control districts and industry. This amount consists of \$432,000 from the Motor Vehicle Account, \$73,000 from the General Fund, \$24,000 from reimbursements, and \$15,000 from the Air Pollution Control Fund. Most of the requested funds (\$505,000) are redirected from contract funds currently used to analyze air quality samples, and procure vehicles for emissions testing. The ARB indicates that the contract work is not needed or it can be done in-house by existing staff at less cost.

Purpose of New Program. The purpose of the compliance assistance

program is to (1) increase the local districts' understanding of complex air pollution rules and provide information on effective inspection methods for specific sources of pollution, and (2) increase industry's understanding of how to perform self-audits for compliance with air pollution rules. The ARB plans to develop and distribute inspection manuals to districts which clarify existing regulations and describe how to inspect specific sources of pollution for compliance with the regulations. The board also would develop a model self-audit program to assist industry in complying with regulations.

Funding Request Exceeds 1987-88 Program Needs. Although the board's proposed program appears to be needed, the number of positions requested appears excessive for the first year. The board's proposal to hire nine staff to develop three to four manuals and three self-audit programs per year would be reasonable if the program were established. In the first year, however, staff will need to determine the format of the inspection manuals and self-audit program before full-scale implementation can begin.

Our analysis indicates that 4.5 positions (one-half the requested number) would be adequate to start the program in 1987-88. These staff would (1) identify the specific regulations and industries to be addressed and (2) develop the program format. Two positions should be adequate to identify regulations needing clarification, meet with districts concerning interpretations of the regulations, review existing inspection data, and design the structure of the inspection manuals. An additional two staff positions should be adequate to select candidate industries for the self-audit program, develop a sample audit for an industry, and design the method of distributing the audit information to industry. A half-time technical writer would simplify complex regulations and write the inspection manuals.

In summary, we recommend a reduction of \$272,000 and 4.5 positions (\$36,000 General Fund, \$236,000 Motor Vehicle Account) from the \$544,000 and 9.0 positions requested because full-scale implementation is premature.

San Joaquin Valley Study

We recommend deletion of \$1 million in Environmental License Plate Funds requested for the San Joaquin Valley Data Collection and Modeling Study because the ARB already has the necessary data for Kern County, and a valley-wide study has not been justified. In addition, we withhold recommendation on \$602,000 and 8.0 positions requested to provide technical assistance for the study, pending receipt and analysis of the study's workplan (Reduce Item 3400-001-140 by \$1 million).

The budget requests \$1,602,000 and 8 staff positions for the San Joaquin Valley Data Collection and Modeling Study. This request consists of \$1 million from the Environmental License Plate Fund, \$138,000 from the Air Pollution Control Fund, and \$464,000 in redirected funds (\$84,000 General Fund and \$380,000 Motor Vehicle Account).

The study's purpose is to reexamine the need for additional emission control measures to meet the ozone air quality standard in Kern County. In 1987-88, the ARB proposes to contribute \$1 million in contract funds to help finance the data gathering effort and \$602,000 and 8 positions to provide technical assistance and oversight for the study. Funding for the study is also expected from Kern County (\$1 million), and private industry, primarily represented by Chevron Oil Company (\$1 million).

Kern County SIP. Kern County does not meet the federal air qual-

AIR RESOURCES BOARD—Continued

ity standard for ozone. To assist the Kern County Air Pollution Control District in adopting measures to meet the standard, the ARB developed a model to analyze air quality data and to assess the effectiveness of alternative emission control strategies. The model formed the basis for the requirements adopted by the ARB last summer regarding control strategies that should be adopted by the Kern County district.

The ARB concluded from its model that nitrogen oxide (NOx) emissions play a larger role than previously thought in contributing to ozone pollution in Kern County. As a result, the board has required additional control measures on oil production activities, which are a major source of NOx emissions in the county. The effectiveness of ARB's required control strategies has been questioned by the county and others who contend that the ARB's conclusions are based on insufficient data.

Purpose of San Joaquin Valley Study. According to the ARB, the primary purpose of the new study is to broaden the data base by including all of the San Joaquin Valley instead of only Kern County. An intensive but short-term data collection effort is being proposed by a joint committee consisting of local government, industry, and the ARB. The specific scope, funding requirements, and timing for the data collection and analysis for the study are expected to be available this spring.

Our analysis indicates that ARB's request for \$1 million in contract funds for the state's share of the San Joaquin Valley Study is not justified. The ARB already has conducted a two-year study of the air quality in Kern County, and has not determined that this prior study was flawed. In addition, according to ARB, it appears that the new study will continue (with a reduced scope) even if the state does not provide the \$1 million requested. In any case, there is no specific basis for the amount requested. Consequently, we recommend a reduction of \$1 million to delete the contract funds.

We withhold our recommendation, however, on the \$602,000 and 8 positions requested to provide technical assistance for the study, pending receipt and analysis of the workplan this spring. Given the magnitude of the proposed study (regardless of state funding), some oversight and assistance by ARB staff may be needed so that the board's concerns and expertise can be incorporated into the study design. The number of technical assistance staff needed, if any, cannot be determined until this spring when the study's scope is determined.

Environmental Affairs Agency***We recommend approval.***

The budget requests \$1,270,000 for support of the Environmental Affairs Agency (EAA) in 1987-88. Because the EAA is not authorized by statute, the agency's budget is included within the budget of the ARB. This requested amount consists of \$296,000 from the General Fund, \$165,000 from the Motor Vehicle Account, \$53,000 from the Offshore Energy Assistance Fund, and \$756,000 in reimbursements. The large amount of reimbursements reflects expected payments by the Department of Health Services and responsible parties for support of the Hazardous Substances Cleanup Arbitration Panel.

The 1987-88 budget reflects a decrease of \$35.3 million, or 97 percent, from the current year due to the one-time expenditure of this amount for grants to local governments to implement the Coastal Resources and

Energy Assistance Act (Ch 1390/85). Excluding this one-time expenditure, the \$1,270,000 requested for the EAA is virtually the same as estimated current-year expenditures.

AIR RESOURCES BOARD—CAPITAL OUTLAY

Item 3400-301 from the Air Pollution Control Fund

Budget p. R 44

Requested 1987-88	\$183,000
Recommendation pending	183,000

ANALYSIS AND RECOMMENDATIONS

Minor Project—El Monte Laboratory

We withhold recommendation on \$183,000 requested from the Air Pollution Control Fund for modifications to the laboratory in El Monte pending receipt of detailed information on the cost estimate.

The budget requests \$183,000 from the Air Pollution Control Fund to finance modifications to the Air Resources Board laboratory in El Monte. The proposed alterations include electrical, heating, ventilation, and air conditioning (HVAC), plumbing, and installation of fume hoods.

The department indicates that the modifications to the facility would serve the organic and inorganic analysis sections. Modifications to the organic analysis section include changes to the laboratory's wiring, additional air conditioning capacity, new duct work, interior walls, light fixtures, and additional emergency exits.

The inorganic analysis section would be modified to include three new fume hoods, additional duct work and an acoustic wall.

We, however, have no basis for recommending the amount requested. The department's cost estimate, prepared by the Department of General Services, Office of Buildings and Grounds, simply indicates that it will cost approximately \$183,000 and include an electrical load test (\$8,000), a new transformer (\$75,000), a new HVAC system (\$50,000), and the remainder of the proposed alterations (\$50,000). The estimate is simply too vague to provide a basis for either the extent of the proposed work or the estimated costs. Consequently, we withhold recommendation pending receipt of details on the proposed alterations and associated costs.

Resources Agency
COLORADO RIVER BOARD

Item 3460 from the General
 Fund and the Environmental
 License Plate Fund

Budget p. R 45

Requested 1987-88	\$764,000
Estimated 1986-87	750,000
Actual 1985-86	679,000
Requested increase (excluding amount for salary increases) \$14,000 (+1.9 percent)	
Total recommended reduction	None

1987-88 FUNDING BY ITEM AND SOURCE

Item—Description	Fund	Amount
3460-001-001—Support	General	\$244,000
3460-001-140—Salinity control	Environmental License Plate	10,000
Reimbursements	—	510,000
Total		\$764,000

GENERAL PROGRAM STATEMENTS

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 has 10.6 personnel-years.

OVERVIEW OF THE BUDGET REQUEST

The total 1987-88 budget proposed for the board from all sources is \$764,000, an increase of \$14,000, or 1.9 percent, from the current year. This amount requested for state operations consists of two appropriations totaling \$254,000 (33 percent) and \$510,000 (67 percent) in reimbursements from the six water agencies. The \$254,000 in state funds consists of \$244,000 from the General Fund and \$10,000 from the Environmental License Plate Fund. The budget has been reduced by \$2,000, which is approximately 1 percent of the General Fund support, as a "Special Adjustment".

ANALYSIS AND RECOMMENDATIONS*We recommend approval.*

Our analysis indicates that the budget request for the board in 1987-88 is reasonable.

**Resources Agency
DEPARTMENT OF CONSERVATION**

Item 3480 from the General
Fund and various other funds

Budget p. R 46

Requested 1987-88	\$113,332,000
Estimated 1986-87	23,773,000
Actual 1985-86	17,880,000
Requested increase (excluding amount for salary increases) \$89,559,000 (+376.8 percent)	
Total recommended reduction	179,000

1987-88 FUNDING BY ITEM AND SOURCE

Item—Description	Fund	Amount
3480-001-001—Support	General	\$13,818,000
3480-001-035—Surface Mining and Reclamation Program	General, Surface Mining and Reclamation Account	1,736,000
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	1,793,000
3480-001-472—Support	General, Farmlands Mapping Account	450,000
3480-001-890—Support	Federal Trust	(579,000)
Ch 1290/86—Beverage Container Recycling	California Beverage Container Recycling	75,000,000
Ch 1290/86—Container Redemption Bonuses	Redemption Bonus Account	20,000,000
Reimbursements	—	511,000
Total	—	\$113,332,000

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

*Analysis
page*

1. **Funding Restoration Not Justified. Reduce Item 3480-001-001 by \$179,000.** Recommend reduction because the current need for this funding restoration for the Division of Mines and Geology has not been justified. 365

GENERAL PROGRAM STATEMENT

The Department of Conservation consists of four divisions:

1. The Division of Mines and Geology functions as the state's geologic agent under the direction of the State Geologist.
2. The Division of Oil and Gas regulates the development, operation, maintenance, and abandonment of oil, gas, and geothermal wells.

DEPARTMENT OF CONSERVATION—Continued

3. The Division of Administration provides policy direction and administrative services to the department. The open-space subvention (Williamson Act), soils resource protection, and farmland mapping and monitoring programs are also part of this division.

4. The California Beverage Container Recycling and Litter Reduction Act, Chapter 1290/86 (AB 2020), established the Division of Recycling within the Department of Conservation. This division will administer a new program starting September 1, 1987 to promote the recycling of beverage containers. Beverage distributors will pay a fee of one-cent per container to the department. The department will in turn refund the fee to recyclers of beverage containers. The department also must certify recycling centers which participate in the program. Underfunded fees will be used to provide bonus and incentive payments, to fund various litter abatement and education programs, and to cover administrative costs.

The department is authorized 355.3 personnel-years in the current year.

OVERVIEW OF THE BUDGET REQUEST

The department's 1987-88 budget proposes expenditure of \$113,332,000 from state funds and reimbursements, an increase of \$89,559,000, or 377 percent, over estimated current-year expenditures. This almost four-fold increase reflects the implementation of the new California Beverage Container Recycling and Litter Reduction Act (Ch 1290/86) during the budget year. Total proposed expenditures in 1987-88 are \$113,911,000, consisting of (1) \$13,818,000 from the General Fund, (2) \$99,003,000 from various special funds, (3) \$511,000 in reimbursements, and (4) \$579,000 from federal funds.

Table 1 shows the department's expenditures and sources of funds for the past, current, and budget years.

If spending for the new container recycling program is excluded, the department's 1987-88 budget would show a decrease of \$441,000, or 2.3 percent. The budget has been reduced by \$59,000, which is approximately 1 percent of the Department of Conservation's General Fund support (net of the department's General Fund revenues), as a special adjustment. Tables 1 and 2 have not been adjusted to reflect any potential savings in 1986-87 which may be achieved in response to the Governor's December 22, 1986 directive to state agencies and departments to reduce General Fund expenditures.

Table 1 also shows that the budget would increase the department's staff by 76.1 personnel-years. The increase is due almost entirely to the new beverage container recycling program.

Table 1
Department of Conservation
Budget Summary
1985-86 through 1987-88
(dollars in thousands)

Program	Personnel-Years			Expenditures			Percent Change From 1986-87
	Actual 1985-86	Est. 1986-87	Prop. 1987-88	Actual 1985-86	Est. 1986-87	Prop. 1987-88	
Geological Hazards and Mineral Resources Conservation	119.0	127.5	128.5	\$9,897	\$10,812 ^a	\$10,189	-5.8%
Oil, Gas, and Geothermal Protection	119.2	116.1	116.1	7,866	7,815	7,967	1.9
Land Resource Protection ..	6.9	11.2	11.2	767	725 ^a	725	—
Administration ^b	40.7	56.5	79.6	(2,334)	(3,348)	(4,730)	41.3
Container Recycling and Litter Reduction	—	44.0	96.0	—	5,000	95,000	NMF ^c
Special Adjustment	—	—	—	—	—	-59	NMF ^c
Totals	285.8	355.3	431.4	\$18,530	\$24,352	\$113,911	367.8%
Funding Sources							
General Fund ^d				\$14,275	\$13,396	\$13,818	3.2%
California Beverage Container Recycling Fund ^d				—	5,000	75,000	NMF ^c
Redemption Bonus Account, California Beverage Container Recycling Fund				—	—	20,000	NMF ^c
Surface Mining and Reclamation				1,005	1,679	1,736	3.4
Strong-Motion Instrumentation Program Fund				1,591	2,653	1,793	-32.4
Farmlands Mapping Account				538	510	450	-11.8
Reimbursements				369	511	511	—
Other				102	24	24	—

^a Funding for the Farmlands Mapping Program was shifted from "Land Resource Protection" to "Geological Hazards and Mineral Resources Conservation" in 1986-87 only. The table includes expenditures for farmlands mapping in 1986-87 (\$539,000) within Land Resource Protection, however, in order to place program expenditure figures for all three years on a comparable basis.

^b Costs are distributed to other programs.

^c Not a meaningful figure.

^d The Governor's Budget shows General Fund expenditures of \$18,396,000 in 1986-87 and \$8,818,000 in 1987-88. This is because the budget includes a loan of \$5 million to the container recycling fund as a General Fund expenditure in 1986-87 and subtracts the anticipated loan repayment from General Fund spending in 1987-88. The figures in Table 1 have been adjusted to eliminate the effect of the loan transfer and repayment. Thus, the loan funds are shown as expenditures from the California Beverage Container Recycling Fund in 1986-87 and the repayment is not deducted from General Fund spending in 1987-88. These adjustments make year-to-year funding comparable and the table consistent with the Budget Bill appropriation from the General Fund.

Proposed Budget Changes for 1987-88

Table 2 summarizes the proposed budget changes for 1987-88 by funding source.

DEPARTMENT OF CONSERVATION—Continued

Table 2
Department of Conservation
Proposed 1987-88 Budget Changes
(dollars in thousands)

	<i>General Fund</i>	<i>Other State Funds</i>	<i>Other^a</i>	<i>Totals</i>
1987-88 Expenditures (revised)	\$13,396	\$9,866	\$1,090	\$24,352
Proposed Changes:				
A. Workload and Administrative Adjustments				
1. Deletion of one-time projects	-50	-910 ^b	—	-960
2. Miscellaneous	-3	-10	—	-13
3. Special Adjustment	-59	—	—	-59
Totals, Workload and Administrative Adjustments	-\$112	-\$920	—	-\$1,032
B. Program Changes				
1. Implementation of beverage container recycling program	—	\$90,000 ^c	—	\$90,000
2. Earthquake warning system study	\$200	—	—	200
3. Contract for Environmental Impact Reports	—	57 ^d	—	57
4. Division of Mines and Geology, restore former funding	179	—	—	179
5. Increase for hazardous well abandonment program	100	—	—	100
6. Miscellaneous	55	—	—	55
Totals, Program Changes	\$534	\$90,057	—	\$95,591
1986-87 Expenditures (Proposed)	\$13,818	\$99,003	\$1,090	\$113,911
Change from 1985-86:				
Amount	-4,578	\$94,137	—	\$89,559
Percent	-24.9%	1,934.6%	—	376.8

^a Federal funds and reimbursements^b Farmland Mapping Account (\$60,000) and the Strong Motion Instrumentation Fund (\$850,000)^c California Beverage Container Recycling Fund (\$70 million) and the Redemption Bonus Account (\$20 million)^d Surface Mining and Reclamation Account**ANALYSIS AND RECOMMENDATIONS**

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

- An increase of \$100,000 to insure the proper abandonment and closure of hazardous and deserted oil, gas and geothermal wells.
- An increase of \$57,000 from the Surface Mining and Reclamation Account to enable the Mining and Geology Board to contract for preparation of required environmental documents to comply with the California Environmental Quality Act.
- Miscellaneous smaller increases totaling \$55,000 from the General Fund.
- An increase of \$200,000 from the General Fund to conduct a study of the feasibility of an early earthquake warning system.

Funding Restoration Not Justified

We recommend a reduction of \$179,000 from the General Fund proposed for the Division of Mines and Geology because the current need for this funding restoration has not been justified. (Reduce Item 3480-001-001 by \$179,000).

The budget requests an increase of \$179,000 in 1987-88 for the Division of Mines and Geology to restore funds reduced in error in the past. The total budget request for the division's programs is \$10.3 million. The department indicates that a technical error inadvertently made by the Department of Finance resulted in an unwarranted reduction of \$179,000 from the division's budget in 1983-84 that has been carried forward in subsequent years.

We believe that funding should be based on *current* needs, not *past* errors or omissions. The department has operated for three years without the \$179,000. Consequently, the budget request should identify why current funding is inadequate. Supporting documents accompanying this request generally describe program areas within the division that need additional funds. The proposal, however, fails to link those program needs with the specific dollar amount requested. Accordingly, we recommend that Item 3480 be reduced by \$179,000.

New Beverage Container Recycling Program

The Governor's Budget shows an increase of \$90 million in the department's 1987-88 expenditures in order to implement the beverage container recycling program created by Ch 1290/86 (AB 2020). According to the budget document, total budget year expenditures for the recycling program will be \$100 million consisting of \$95 million for program operations and \$5 million to repay a General Fund loan for current-year start-up costs. Program funding will be collected from beverage distributors who will pay a "redemption value" of a penny-per-container to the department beginning September 1, 1987. All of these fee revenues are continuously appropriated to the department. Consequently, the Budget Bill contains no appropriation for the program.

The budget indicates that the department will use \$9 million of the 1987-88 fee revenue to support 125.1 personnel-years of staff (\$4 million) and related operating expenses, equipment, and contracts (\$5 million). Most of the revenue (\$86 million) will be paid out to recyclers based on the number of eligible beverage containers they redeem or used by the department to provide various other recycling incentives. Beginning October 1, 1987, consumers will be able to redeem eligible beverage containers and receive the penny redemption value (and any scrap value offered by the recycler).

The budget's revenue and expenditure estimates are preliminary. Revenues from the penny-per-container fee may generate only \$75 million rather than \$100 million (based on the department's estimate of \$10 billion eligible containers sold annually). In addition, the department's administrative expenses could vary considerably from the \$9 million shown in the budget, since the department has only just begun to determine exactly how it will implement the program.

Current Status. At the time this analysis was prepared, the department has met the initial statutory deadlines mandated by Chapter 1290 and appears to be making satisfactory progress. For example, it has completed the maps of convenience zones throughout the state (areas within a half-mile radius of a supermarket in which a recycling center must be

DEPARTMENT OF CONSERVATION—Continued

located) and regulations governing certification of recyclers. In addition, container processing fees have been adopted and are under review by the Office of Administrative Law. The department also has entered into a \$700,000 contract with a consultant to design the recycling program's auditing and accounting system.

The department plans to reach several significant implementation milestones in July. These include (1) certifying recycling centers, (2) establishing processing fees for various types of beverage containers, and (3) awarding a contract for field auditing and accounting. At that time, the Legislature will be in a better position to ascertain the department's progress in meeting Chapter 1290's requirements.

Department Improves Reclamation and Farmland Programs

In the *Analysis of the 1986-87 Budget Bill*, we advised the Legislature of unmet workload problems in the reclamation portion of the Surface Mining and Reclamation Program (SMARA), and unmet commitments in the Farmland Mapping and Monitoring Program (FMMP). The progress these two programs have made in the past year is worth noting.

Reclamation. Last year, we cited several problems within the mined-land reclamation program. There were a large number of staff vacancies, workload backlogs, delayed release of publications, and a minimal number of site visits. Consequently, the Legislature directed the department to issue a report on its plans for fulfilling SMARA's mandates. Our analysis of the department's report indicates that the problems we identified have been corrected to a substantial degree. The department, however, still has not released its long-delayed manual on mined land reclamation planning and implementation, although, it soon will release several articles that were originally part of the full volume.

Farmland. Last year, we noted several problems within the Farmland Mapping and Monitoring Program (FMMP). These included: the disruptive effects of a reorganization, delays in the preparation of 40 base-year maps, the delayed release of the farmland conversion report, and staff vacancies. The department corrected the organization problem and has hired additional staff. Moreover, the base-year maps for the 40 original counties in the program have been completed (three additional county base-year maps will be completed by July 1, 1987). The department currently is on schedule for the biennial update report due in 1988, and the first farmland conversion report is set for release in April.

Resources Agency

DEPARTMENT OF FORESTRY AND FIRE PROTECTION

Item 3540 from the General
Fund and various funds

Budget p. R 56

Requested 1987-88	\$279,266,000
Estimated 1986-87	285,416,000
Actual 1985-86	283,128,000
Requested decrease (excluding amount for salary increases) \$6,150,000 (-2.2 percent)	
Total recommended reduction	1,545,000
Recommendation pending	100,000

1987-88 FUNDING BY ITEM AND SOURCE

Item—Description	Fund	Amount
3540-001-001—Primary Support	General	\$191,591,000
3540-006-001—Emergency fire suppression	General	7,288,000
3540-001-140—Forest practices, vegetation management	Environmental License Plate	4,158,000
3540-001-300—Board of Forestry, registration of foresters	Professional Foresters Registration	114,000
3540-001-890—Support	Federal Trust	(5,061,000)
3540-001-928—California forest improvement program	Forest Resources Improvement	1,165,000
3540-001-940—Watershed mapping, soil erosion studies	Renewable Resources Investment	632,000
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)
3540-016-928—Transfer to General Fund	Forest Resources Improvement	(2,335,000)
3540-495—Reversion	General	(-1,025,000)
Reimbursements	—	62,505,000
Transfer of expenditure authority from the Department of Corrections and California Youth Authority	—	11,790,000
Total		\$279,266,000

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

Analysis
page

1. Fire Protection Plan. Recommend that the department report at budget hearings on (1) why the Fire Protection Plan does not provide the information required by current law, and (2) what actions it will take to improve the analytical basis of the plan. 372
2. Forest Improvement Program. Recommend the department report at budget hearings on why it is proposing to phase out the California Forest Improvement Program, in light of its recent report to the Legislature indicating that the program is successful and cost effective. 375
3. *Forest Resources Improvement Fund. Delete Item 3540-016-928.* Recommend deletion because transfer of 375

DEPARTMENT OF FORESTRY AND FIRE PROTECTION—Continued

- \$2,335,000 from the Forest Resources Improvement Fund to the General Fund is inconsistent with legislative intent.
4. **Forestry Education Program. Reduce Item 3540-001-928 by \$100,000.** 376
Recommend reduction because the department has not established the need for the program, and the program is an inappropriate use of Forest Resources Improvement Fund monies.
 5. **Cooperative Salmon Project. Reduce Item 3540-001-140 by \$200,000 and eliminate provision 1 of this item.** 377
Recommend reduction because the department has not established the need for its own salmon and steelhead habitat restoration grant program, and the department lacks the authority to establish such a program.
 6. **Cooperative Fire Suppression Funds.** 378
Recommend the department report at budget hearings on (1) how it will adjust its budget in light of reduced presuppression payments from the Bureau of Land Management and (2) the status of its negotiations with the bureau to (a) establish a substitute mechanism to recover standby costs or (b) reduce the area for which the department is responsible for providing fire protection services.
 7. **Hardwood Range Management. Reduce Item 3540-001-140 by \$350,000.** 379
Recommend reduction because (1) the department has not provided the Legislature with information to justify the proposed projects and their costs, and (2) three of the four proposed projects appear premature.
 8. **Forestry Research.** 380
Withhold recommendation on \$100,000 requested for forestry research, pending receipt and analysis of information on specific projects to be funded and their costs.
 9. **Youth Conservation Camps. Reduce transfers by \$895,000.** 381
Recommend action to correspond to recommended funding shift in Item 5460-001-001 (Department of the Youth Authority).

GENERAL PROGRAM STATEMENT

The California Department of Forestry and Fire Protection (CDFFP) provides fire protection services directly or through contracts for approximately 35.7 million acres of timber, range, and brushland owned privately or by the state or local agencies. In addition, CDFFP 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 30 counties to provide local fire protection and paramedic services in 52 areas for which local governments are responsible.

In addition, the department (1) operates 44 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 wild-

lands are state responsibility lands for fire protection purposes. The members of the board are appointed by the Governor. The department is authorized 4,065 personnel-years in 1986-87.

OVERVIEW OF THE BUDGET REQUEST

The budget requests \$279,266,000 from the General Fund, various other state funds, and reimbursements for support of the CDFFP in 1987-88. This is a decrease of \$6,150,000, or 2.2 percent, from estimated current-year expenditures from these same sources. The budget has been reduced by \$2,009,000, which is approximately 1 percent of the General Fund support, as a Special Adjustment.

The expenditure tables which follow have not been adjusted to reflect any potential savings in 1986-87 which may be achieved in response to the Governor's December 22, 1986 directive to state agencies and departments to reduce General Fund expenditures.

Table 1
Department of Forestry and Fire Protection
Budget Summary
1985-86 through 1987-88
(dollars in thousands)

Program	Personnel-Years			Expenditures			Percent Change From 1986-87
	Actual	Est.	Prop.	Actual	Est.	Prop.	
	1985-86	1986-87	1987-88	1985-86	1986-87	1987-88	
Wildland fire protection and prevention—op- erations	2,026.0	1,960.8	1,967.7	\$132,038	\$130,121	\$130,410	0.2%
Cooperative fire protec- tion	924.8	1,013.0	1,013.0	66,139	83,329	82,325	-1.2
Conservation camps	473.6	534.6	593.7	30,397	35,910	43,064	19.9
Emergency fire suppres- sion	NA	NA	NA	35,510	18,768	9,362	-50.1
Forest practice regulation	68.0	67.7	67.7	4,833	5,418	5,477	1.1
Other resource manage- ment programs	152.6	160.4	155.2	16,753	16,760	15,698	-6.3
Administration (distribut- ed to other programs)	309.1	328.0	330.8	(19,124)	(20,936)	(21,242)	1.5
Special adjustment	—	—	—	—	—	-2,009	NMF ^a
Totals	3,954.1	4,064.5	4,128.1	\$285,670	\$290,306	\$284,327	-2.1%
Funding Sources							
General Fund				\$220,386	\$209,494	\$198,879	-5.1%
Environmental License Plate Fund				212	3,538	4,158	17.5
Energy and Resources Fund				3,234	—	—	—
Professional Foresters Registration Fund				95	115	114	-0.9
Forest Resources Improvement Fund				4,692	3,456	1,165	-66.3
Renewable Resources Investment Fund				723	617	632	2.4
Timber Tax Fund				18	23	23	—
Federal funds				2,542	4,890	5,061	3.5
Reimbursements				53,768	68,183	62,505	-8.3
Transfers from Departments of Corrections and the Youth Authority				—	—	11,790	NMF ^a

^a Not a meaningful figure.

DEPARTMENT OF FORESTRY AND FIRE PROTECTION—Continued

Table 1 shows the department's expenditures and staffing levels by program, and funding sources for the past, current, and budget years. The budget proposes total expenditures of \$284,327,000 (including federal funds) for support of the department during 1987-88. This amount is \$5,979,000, or 2.1 percent, less than the estimate of total expenditures for the current year.

A direct comparison of year-to-year expenditures in the budget is misleading because expenditures in 1986-87 include an estimated deficiency appropriation of \$9.4 million for excess emergency fire suppression costs. Proposed 1987-88 expenditures do not include any similar amount, although the department traditionally incurs excess emergency firefighting costs each year which require a substantial deficiency appropriation. Excluding the \$9.4 million deficiency in 1986-87 makes spending for the two years comparable. On this basis, total expenditures will *increase* by \$3,427,000, or 1.2 percent, in 1987-88. This net increase results from (1) an increase of \$7.1 million to expand conservation camps in order to accommodate additional inmates and wards and (2) a reduction of about \$3.7 million in the department's other programs (including the Special Adjustment).

In addition, the budget proposes to revert \$1,025,000 in the current year to the General Fund from funds appropriated by Ch 360/85 for additional aircraft.

Reimbursements and Transfers

The budget indicates that the department expects to receive a total of \$74,295,000 in reimbursements and expenditure transfers during 1987-88. Table 2 lists the major sources of these reimbursements and transfers. The largest amount, \$58,459,000, comes from local governments that receive fire protection and paramedic services from CDFFP 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 CDFFP 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 (CDC) for equipment to be used at conservation camps, (3) the California Conservation Corps for supervising and training corpsmembers in firefighting, and (4) CDFFP personnel for housing, food, and other services.

In addition, the budget proposes to authorize the Director of Finance to transfer \$11,790,000 of General Fund expenditure authority from the CDC and the Department of the Youth Authority to CDFFP for the support of newly activated conservation camps. Language authorizing these transfers appears in Items 5240-001-001 and 5460-001-001. Traditionally, payments from CDC and CYA to CDFFP for the support of conservation camps have been scheduled as reimbursements. The administration indicates that scheduling these funds as transfers of spending authority, rather than reimbursements, would provide the Department of Finance with greater control over these expenditures and would make the funds available to CDFFP in a more timely manner.

Table 2
Department of Forestry and Fire Protection
Budgeted Reimbursements and Transfers by Source
1987-88

Program and Source of Funds

Local fire protection services provided to counties, cities, and special districts by CDFFP	\$58,459,000
Transfer of expenditure authority from the Department of Corrections and California Youth Authority	11,790,000
Conservation camp support (Department of Corrections)	901,000
Supervision and training of corpsmembers (California Conservation Corps)	1,328,000
Payments by employees for subsistence, housing, and other services provided by CDFFP	1,005,000
Miscellaneous	812,000
Total	\$74,295,000

Program Budget Changes for 1987-88

Table 3 summarizes proposed budget changes for 1987-88, by funding source.

Table 3
Department of Forestry and Fire Protection
Proposed 1987-88 Budget Changes, By Fund
(dollars in thousands)

	<i>General Fund</i>	<i>Special Funds^a</i>	<i>Federal Funds</i>	<i>Reimburse- ments and Transfers</i>	<i>Totals</i>
1986-87 Expenditures (Revised)	\$209,484	\$7,749	\$4,890	\$68,183	\$290,306
1. Baseline adjustments:					
a. Delete one-time costs	-441	-90	—	—	-531
b. Current-year deficiency for emergency fire suppression costs	-9,406	—	—	—	-9,406
c. Revised salary savings estimate for Schedule A contracts	—	—	—	-1,004	-1,004
d. Camps operations	—	—	—	1,194	1,194
e. Miscellaneous adjustments	5	-228	—	-2	-225
2. Significant program changes:					
a. Office automation (+1.9 py)	82	—	—	—	82
b. Shift funding for hardwood range management information	-350	350	—	—	—
c. Federal use of state helicopters	—	—	171	—	171
d. Urban forestry program	—	100	—	—	100
e. Forest Practice Act program funding shift	982	-982	—	—	—
f. South Monterey County helitack base (+6.9 py)	532	—	—	—	532
g. Conservation camp expansion (+58.2 py)	—	—	—	5,924	5,924
h. Cooperative salmon and steelhead habitat restoration	—	200	—	—	200
i. Forestry research grants	—	100	—	—	100
j. Gene conservation project	—	96	—	—	96
k. Henninger Flats visitor center	—	150	—	—	150

DEPARTMENT OF FORESTRY AND FIRE PROTECTION—Continued

l. Forest Improvement Program reduction (-5.2 py)	—	-1,353	—	—	-1,353
m. Special Adjustment	-2,009	—	—	—	-2,009
1987-88 Expenditures (Proposed)	\$198,879	\$6,092	\$5,061	\$74,295	\$284,327
Change from 1986-87:					
Amount	-\$10,005	-\$1,657	\$171	\$6,112	-\$5,979
Percent	-5.1%	-21.4%	3.5%	9.0%	-2.1%

* California Environmental License Plate Fund, Professional Foresters Registration Fund, Forest Resources Improvement Fund, Renewable Resources Investment Fund, Timber Tax Fund.

ANALYSIS AND RECOMMENDATIONS

We recommend approval of the following proposed changes shown in Table 3 which are not discussed elsewhere in this analysis:

Workload and Administrative Adjustments

- A reduction of \$531,000 from various funds to eliminate money for one-time costs incurred in 1986-87.
- A reduction of \$1,004,000 in reimbursements to better reflect estimated salary savings for state personnel who provide fire protection services to local governments (Schedule A contracts).
- An increase of \$1,194,000 to be transferred from the Department of Corrections to CDFFP for the operation of new conservation camps, which originally were scheduled to open during the current year, but now will open in 1987-88.

Program Changes

- An increase of \$171,000 in federal funds to pay for costs incurred for state helicopters to suppress fires on federal lands.
- An increase of \$532,000 from the General Fund for the operation and maintenance of a firefighting helicopter located in southern Monterey County. The department received funding in the current year to outfit this helicopter.
- An increase of \$96,000 from the Environmental License Plate Fund (ELPF) for the genetic conservation and analysis of rare cypress trees.
- An increase of \$150,000 from the ELPF for a grant to Los Angeles County for the construction of a forest visitor center and educational facility at Henninger Flats.
- An increase of \$82,000 and 1.9 personnel-years to enhance the department's data processing system.

We also recommend approval of the proposed reversion in Item 3540-495 of \$1,025,000 appropriated by Ch 360/85. That act appropriated \$1.5 million from the Contingency Reserve for Economic Uncertainty to provide additional air-tanker firefighting planes to CDFFP. The department indicates that it spent \$475,000 of these funds for additional air tankers to combat the severe wildland fires that occurred in 1985. Because the wildland fires have been less severe since 1985, the department indicates that the funding for additional air tankers is no longer required.

Fire Plan Review

We recommend that the department report during budget hearings on (1) why its Fire Protection Plan does not provide the information required

by current law and (2) what actions it will take to improve the analytical basis of the plan.

The CDFFP is responsible for providing fire protection services to forests, watershed areas, and rangelands that have been designated as State Responsibility Area (SRA) by the Board of Forestry. In order to provide adequate fire protection services, current law requires the Board of Forestry to prepare a fire protection plan. Traditionally, the department prepares the plan, and the board reviews and approves it.

The purpose of the plan is to provide a detailed description of the amount and distribution of resources (firefighters, equipment, and facilities) needed for adequate statewide fire protection on areas of state responsibility. The fire protection plan often has formed the basis for the department's budgetary requests for additional personnel and equipment.

Current law does not specify how often the board must update the plan. The department prepared a new fire protection plan in 1986, replacing the previous one approved in 1980. Our review of the new plan indicates that it represents a definite improvement over previous plans. Nevertheless, it fails to meet important statutory requirements and does not provide an adequate basis to justify current and future staff and funding levels.

Plan still has deficiencies. The department has taken a major step in beginning to develop a quantitative basis for its fire plan. However, our analysis has identified four major deficiencies in the new fire protection plan.

The plan does not comply fully with current law. Section 4130 of the Public Resources Code requires the board to classify SRA lands according to four characteristics. The fire plan, however, classifies lands based on only two of the factors required by law (land cover and fire hazard) and does not address either the beneficial use of water from watersheds, or erosion potential. The fire plan concludes that, with some minor adjustments, the department is providing lands of similar types with the same level of protection. However, this conclusion ignores any differences in watershed value or erosion potential among the lands.

After classifying land types, the law requires the board to determine the level of intensity of protection to be given to *each type* of land. The plan, however, compares only whether the current deployment of resources provides equal coverage to similar types of land. It does not examine what is the *appropriate level* of protection for each type of land and compare this with the current deployment of resources. Rather, the department *assumes* that its current statewide resources provide the appropriate level of protection, on average, for each type of land.

As a result, the fire plan does not comply with the law or provide the Legislature with the information it needs to determine whether the current deployment of resources provides appropriate levels of protection to lands of similar types.

The plan fails to consider all of the resources available to the department. The department has concluded that 96 additional reserve fire engines would be needed to suppress 10 major or extended-attack fires which are burning simultaneously. The department, however, did not consider what effect the use of aircraft (such as airtankers and helicopters) to suppress the fires would have on the number of fire engines required. In addition, the department failed to consider the impact of 100 fire engines owned by the Office of Emergency Services which are located throughout the state and are available to respond to fires during emergencies. Consequently, it is not clear that the department would need any

DEPARTMENT OF FORESTRY AND FIRE PROTECTION—Continued

additional fire engines to suppress 10 major or extended-attack fires burning simultaneously.

The analytical tools which the department uses to support its findings are poorly developed. As part of the fire plan, the department modeled the current deployment of ground-based resources to determine whether they provide equal protection for similar types of land. The model grouped ranger units by land type and attempted to compare, for each group, whether the fire hazard for each area and the level of suppression forces were above or below average for the group. The department noted that preliminary results raised various concerns about the model's validity, including (1) whether the data were accurate, (2) whether some of the variables actually represented the factors being studied, and (3) whether some critical factors related to fire suppression were left out of the model. The department states that the model has the potential to become a useful tool, but it is only in the beginning stages of development.

Finally, the department's analysis relies on assumptions which do not have any logical basis. The department concluded that its staffing level during 1985-86 is the base level of staffing because "historically, CDF forces have hovered around this level and have been able to contain increases in fire incidence." This argument has no analytical basis. Similarly, the department determined that it required 96 additional fire engines to suppress 10 extended-attack or major fires. However, the department could not provide an analytical basis for why it selected 10 as the appropriate number of fires for its analysis.

Recommendation. In conclusion, our review of the department's fire plan indicates that it does not comply with the requirements of current law, and does not provide the quantitative data which the department itself needs to evaluate whether it currently has the appropriate level of fire suppression resources. Consequently, the plan does not provide an adequate standard against which the Legislature can measure the department's budget proposals. We recommend that the department report to the Legislature on why the fire plan does not comply with the requirements of current law, and what actions it will take to improve the analytical basis of the plan.

Forest Resources Improvement Fund

The budget raises several issues discussed below that are related to the Forest Resources Improvement Fund (FRIF). The FRIF receives all of the revenue from the sale of timber from state forests operated by the department. Chapter 413, Statutes of 1986 (AB 3549), recently revised the purposes for which FRIF monies may be used. Under the provisions of Chapter 413, beginning July 1, 1987, FRIF funds may be used *only* for:

- Forest improvement projects under the California Forest Improvement Program.
- Urban forestry programs, where urban forestry is defined as "the cultivation and management of trees in urban areas for their present and potential contribution to the physiological, sociological and economic well-being of urban society."
- Wood energy programs, which examine the feasibility, costs, and benefits of converting forest products into thermal energy.
- Reimbursing the General Fund for the cost of operating the state forests.

Chapter 413/86 specifically *prohibits* the use of FRIF monies for the administration of the Forest Practice Act, which regulates timber operations.

Phase-Out of Forest Improvement Program

We recommend that the department report at the time of budget hearings on why it is proposing to phase out the California Forest Improvement Program, in light of its recent report to the Legislature indicating that the program is successful and cost-effective.

The California Forest Improvement Act of 1978 authorizes the department to make loans and grants to timberland owners to finance reforestation work on a cost-sharing basis. The purpose of the program is to encourage investment in, and management of forest lands to ensure future timber supplies, employment, economic benefits, and protection of forest resources. Since its inception, the program has been financed from the Forest Resources Improvement Fund (FRIF).

The budget proposes expenditures of \$708,000 in 1987-88 from the FRIF for the California Forest Improvement Program (CFIP). This is \$1,353,000, or 66 percent, less than estimated expenditures in the current year. The proposed level of funding in 1987-88 would provide sufficient funds to administer agreements entered into in 1985-86 and 1986-87, but does not provide for any new cost-sharing agreements. The department indicates that it intends to phase out the CFIP over the next three years. The budget proposes to transfer the savings from the FRIF to the General Fund. (This proposal is discussed in detail in the next issue.)

In May 1986, the department submitted a report to the Legislature on the effectiveness of the CFIP. The report concludes that the CFIP has been a very successful program. The report indicates that since 1980 the department has provided grants and loans totaling \$11.2 million, and that this investment has resulted in the improvement of nearly 43,000 acres of forest lands, and the development of management plans for approximately 210,000 acres.

The report further states that the benefits from this investment include (1) the direct and indirect employment of 106 to 227 person-years annually, (2) increased development of timber resources, and (3) enhancement of fisheries, wildlife, water quality and recreation.

As part of the evaluation, the department contracted with a forest economist to prepare a separate evaluation of the CFIP. The economist concluded that the program is cost effective. The economist estimated that the \$5 million spent on the program by the time of the study will result, over the next 50 to 75 years, in a return of \$113 million to the state in taxes, and a yield of \$448 million to nonstate entities from the sale of timber.

Despite the recent glowing report, the department now proposes to eliminate the program without any explanation. Consequently, we recommend that the department report at budget hearings on its reasons for eliminating the CFIP, in light of its recent report to the Legislature.

Forest Resources Improvement Fund Transfer Contravenes the Law

We recommend the deletion of Item 3540-016-928 which transfers \$2,335,000 from the Forest Resources Improvement Fund to the General Fund, because it circumvents recently enacted legislation. (Recommend deletion of Item 3540-016-928.)

The budget proposes to transfer \$3,868,000 from the Forest Resources Improvement Fund (FRIF) to the General Fund. Of this amount, \$1,533,-

DEPARTMENT OF FORESTRY AND FIRE PROTECTION—Continued

000 represents the traditional annual reimbursement of General Fund costs for managing the state forests. According to the administration, the remaining \$2,335,000 would be transferred simply as a means of providing additional General Fund revenue for support of unspecified programs that are of higher priority than those funded from the FRIF.

In order to make the \$2,335,000 transfer to the General Fund, the department would (1) phase out the California Forest Improvement Fund (as discussed previously), and (2) discontinue FRIF support for administering the Forest Practice Act. Instead, these administrative costs would be shifted to the General Fund.

The proposed transfer of \$1,533,000 from the FRIF to the General Fund for the operation of the state forests is consistent with current law, and we recommend approval. However, the transfer of the remaining \$2,335,000 does not satisfy any of the purposes established by Ch 413/86 for which FRIF monies may be used.

In the current year, the department is using monies from the FRIF to pay for the costs of administering the Forest Practice Act. However, beginning July 1, 1987, Chapter 413 specifically *prohibits* the use of FRIF funds for the administration of the act. By transferring the costs of the Forest Practice Act to the General Fund, and simultaneously transferring the monies which previously had been used to pay those costs from the FRIF to the General Fund, the effect is essentially the same as continuing to use the FRIF to administer the Forest Practice Act.

Accordingly, because the proposed transfer of \$2,335,000 from the FRIF to the General Fund is contrary to legislative intent as expressed in recent legislation, we recommend the deletion of Item 3540-016-928. This would retain the \$2,335,000 in the FRIF, where it could be used for the purposes specified by Chapter 413.

Forestry Education Program Lacks Justification

We recommend deletion of \$100,000 requested from the Forest Resources Improvement Fund (FRIF) to finance a forestry education program for urban dwellers because (1) the department has not established the need for the program, and (2) the FRIF is not an appropriate funding source. (Reduce Item 3540-001-928 by \$100,000.)

The budget requests \$100,000 from the Forest Resources Improvement Fund (FRIF) to establish an ongoing forestry education program for urban dwellers. The department indicates that in the past 10 years the department and the timber industry, have experienced increased problems with urban dwellers, including: (1) increased development of commercial forest lands, (2) an increase in the number of protests filed against timber harvest plans, (3) legal suits against the department over timber harvesting, and (4) requests by some counties to implement timber harvesting rules which are more stringent than state rules.

As a result, the department is requesting \$100,000 from the FRIF to start a forestry education program for urban dwellers. The department proposes to contract for a program coordinator who would develop pilot projects for forestry education, and work with local governments to improve their understanding of forestry issues. The program also would include contracting with (1) public relations consultants to improve the image of the forest industry, (2) educational consultants to improve the awareness of school children regarding forest management, and (3) edu-

cational institutions to develop model forest management plans for local entities.

Our review indicates two problems with this proposal. First, the department has not provided any information which indicates that the "problems" it and the timber industry have experienced result from a lack of knowledge of forestry issues by urban dwellers. The proposal simply *assumes* that (1) if urban dwellers better understood forestry management and the timber industry, the department's problems would diminish, and (2) people who protest timber harvest plans or file legal suits against the department do not have legitimate concerns or complaints. Accordingly, we have no basis to determine whether an educational program for urban dwellers truly is needed or would alleviate the problems identified by the department.

Second, the use of FRIF funds is inappropriate for a program of this type. The proposed forestry education program does not satisfy any of the program criteria established by Ch 413/86, notwithstanding its characterization as an "urban forestry" program by the department. The primary purpose of the proposal is to increase the urban public's knowledge of general forestry issues.

Consequently, we recommend deletion of the \$100,000 requested from the FRIF for this program.

Cooperative Salmon Project Not Justified

We recommend deletion of \$200,000 requested from the Environmental License Plate Fund (ELPF) to establish a salmon and steelhead habitat restoration grant program because (1) the department has not demonstrated the need for an additional grant program outside the Department of Fish and Game, and (2) a new program of this type should be reviewed through the normal legislative process. (Reduce Item 3540-001-140 by \$200,000 and eliminate Provision 1 of the item.)

The budget requests \$200,000 from the ELPF for the department to provide grants to landowners to improve salmon and steelhead habitat on their property. Habitat improvement work may include removing log jams and other barriers to migrating fish, erosion control, improving rearing and spawning habitats, and tree planting. The program would be established and operated by the CDFFP, which would contract with the Department of Fish and Game (DFG) for technical advice and on-site inspections. The Budget Bill includes language in Item 3540-001-140 authorizing these grants and requiring approval of plans, specifications, and cost estimates by the DFG.

The DFG is responsible for the restoration and enhancement of fish and wildlife habitat in general, and salmon and steelhead habitat in particular. For 1987-88, the budget proposes a total of \$1,730,000 from the ELPF (\$1 million) and the Renewable Resources Investment Fund (\$730,000) for the DFG to restore and enhance salmon and steelhead habitat on both public and private lands. The \$200,000 in grant funds requested by CDFFP is *in addition* to the amount being requested by the DFG.

The CDFFP, in justifying its request, indicates that some timber companies along the north coast have not allowed DFG access to their lands to restore salmon and steelhead habitat. The CDFFP proposes to solve the problem by contracting directly with timber operators who would do the habitat restoration work themselves on their property. The department indicates that it is better suited than the DFG to establish this type of program, because it has established a working relationship with timber

DEPARTMENT OF FORESTRY AND FIRE PROTECTION—Continued

operators through its regulation of timber operations. The CDFFP indicates, however, that it would contract with the DFG for on-site inspections of the work.

Need for Grant Program Not Established. The department has not provided any data showing (1) instances in which DFG has been denied access to private lands along the north coast, (2) whether the lands to which DFG has been denied access contain significant salmon and steelhead habitat, and (3) the extent to which this habitat is in need of restoration. Nor has the department indicated why the level of funding provided in the DFG's budget is not sufficient to accomplish the highest priority work. Without this information, we have no basis to recommend approval of the funds for the new grant program.

Lack of Statutory Authority. The department currently does not have the statutory or program authority to provide grants to improve salmon and steelhead habitat. Although the Budget Bill does contain language which appears to authorize the department to contract with private landowners for salmon and steelhead habitat restoration, this expansion of program responsibility should be considered through the normal legislative process which provides for review by both policy and fiscal committees.

Until the Legislature takes an action to increase CDFFP's program responsibility, DFG is the appropriate agency to administer such a program if it is established. Dividing program responsibility and accountability between the DFG and the CDFFP only sidesteps the problem if there are disputes between timber operators and the DFG. Alternatively, if the problem simply involves establishing better liaison between the DFG and timber operators, there is a simpler solution. The DFG could contract with the CDFFP to assist with habitat restoration using the funds already provided in DFG's budget.

Accordingly, we recommend deletion of \$200,000 (and associated Budget Bill language) proposed for establishing a salmon and steelhead habitat restoration grant program because (1) the department has not shown that a separate grant program is needed and (2) the expansion of program authority should be reviewed through the normal legislative process.

Cooperative Fire Suppression Funding Inadequate

We recommend that the department report at the time of budget hearings on what budgetary adjustments it proposes to make in the current and budget years, in response to reduced standby payments from the Bureau of Land Management (BLM). We further recommend that the department report on the status of negotiations with the BLM to recover its standby costs for fire suppression on BLM lands.

The department has a variety of cooperative agreements with the federal government to provide fire protection on federal lands that are intermingled with or adjacent to state responsibility lands. Under its agreement with BLM, the department protects approximately 2.4 million acres of bureau land, while BLM protects about 721,000 acres of the state responsibility area (SRA). Thus, the department protects almost 1.7 million more acres for BLM than BLM protects for CDFFP.

Historically, BLM has reimbursed the state for the department's actual costs of suppressing fires which burn more than 100 acres on BLM lands.

In addition, BLM pays the department a "presuppression" (standby) payment. The presuppression payment is intended to partially offset the normal costs of CDFFP resources which are available to fight BLM fires and to cover the costs of fighting fires of less than 100 acres. The budget estimates that the department will receive approximately \$1.1 million from the BLM in both 1986-87 and 1987-88 as presuppression payments. These funds are appropriated to the department in Item 3540-001-890 to pay for existing staff and operating costs.

Our review indicates that the budget overestimates the amount of the presuppression payments that will be received from the BLM in both 1986-87 and 1987-88. According to the BLM, its budget for the federal fiscal year which ends in September 1987, contains \$820,000 for presuppression payments to the department. This is \$280,000 less than the amount estimated by the department for 1986-87. Furthermore, the bureau indicates that the proposed federal budget for next year includes only an estimated \$740,000 for presuppression payments to the state, or \$360,000 less than the amount reflected in the department's budget for 1987-88. The bureau indicates that, as a result of actual and proposed federal budget reductions, it is planning to phase out the *entire* presuppression payment over the next few years.

The department indicates that because the bureau's lands are intermingled with, or adjacent to, SRA lands, fires on the bureau's lands pose a threat to the SRA lands. Consequently, even if the BLM reduces or eliminates its presuppression payments, the department states that it will continue to combat fires on BLM lands. The department would still incur the costs of having resources available for fire suppression activities on BLM lands, but will not receive federal funds to pay for these costs. This could result in General Fund deficiencies or redirections of \$280,000 in the current year and \$360,000 in the budget year.

The department indicates that it has begun negotiating with the bureau to (1) develop alternative means of funding the department's standby costs for fire-fighting activities on BLM lands, or (2) reduce the area for which the department is responsible. However, at this time, the department and the bureau have not reached agreement.

Accordingly, we recommend that the department report to the fiscal subcommittees at the time of the budget hearings on how it will adjust its budget in both the current and budget years in light of reduced presuppression payments from the BLM.

We further recommend that the department report at the time of budget hearings on the status of its negotiations with the bureau to recover its standby costs or reduce the area for which the department is responsible for providing fire protection services.

Hardwood Range Management Research Projects Premature

We recommend a reduction of \$350,000 from the Environmental License Plate Fund to eliminate hardwood range management research and information projects because (1) the department has not provided adequate information on the projects and (2) three of the projects appear to be premature. (Reduce Item 3540-001-140 by \$350,000.)

The budget proposes expenditures of \$350,000 from the ELPF for the second year of a research program on California's hardwoods. The department indicates that in recent years there has been increased harvesting of hardwoods (for example, cutting foothill oaks for firewood), which may have detrimental effects on the environment. In addition, the department

DEPARTMENT OF FORESTRY AND FIRE PROTECTION—Continued

is concerned that some oak species do not appear to be regenerating, and may become threatened or endangered.

The 1986 Budget Act appropriated a total of \$1 million from the General Fund (\$350,000 to the department and \$650,000 to the University of California) to begin research on hardwood range management issues to determine the most effective policy to deal with the above problems. The 1987–88 Budget Bill proposes to continue the university's research funding from the General Fund, and to transfer the department's research funding to the ELPF.

The department indicates that it intends to fund the following projects:

- ***Production of Hardwood Seedlings:*** Establish techniques for nurseries to develop and produce hardwood seedlings to replace cut trees (\$75,000).
- ***Human Activity and Oak Pests:*** Study the relationship between residential development in hardwood rangeland and increases in the levels of pathogens and insects in oak stands (\$75,000).
- ***Management Techniques for Preservation of Wildlife Habitat:*** Disseminate information to landowners on techniques for managing mixed stands of hardwoods and conifers in ways that preserve wildlife values (\$125,000).
- ***Management Techniques for Maintaining Water Quality:*** Disseminate information on techniques that minimize adverse impacts of forest activities on water quality (\$75,000).

The department has provided only brief descriptions to justify the proposed projects. This information is not sufficient to enable the Legislature to determine (1) whether the projects are needed, (2) the basis of their costs, or (3) whether the ELPF is the most appropriate funding source. Moreover, based on the information provided by the department, it appears that three of the projects (management techniques for preservation of wildlife habitat, management techniques for maintaining water quality, and production of hardwood seedlings) are premature until a hardwood policy is adopted by the Board of Forestry.

Two of the three projects involve disseminating specific types of information to landowners. The board currently is considering adoption of a hardwood policy that may include informational programs. The board, however, has not yet reviewed any specific proposals for informational programs. The third project would establish techniques for nurseries to develop and produce hardwood seedlings. The board is considering guidelines and regulations which would require landowners to plant seedlings to meet stocking standards. Requesting project funds now presupposes that the board will adopt these policies.

Accordingly, we recommend a reduction of \$350,000 from the ELPF requested for hardwood range research projects because (1) the department has not provided the Legislature with sufficiently detailed information to adequately evaluate the projects, and (2) three of the four proposals appear to be premature, given the status of board action on hardwood policy.

Forestry and Rangeland Research

We withhold recommendation on \$100,000 requested from the ELPF for forest and rangeland research, pending receipt and analysis of information from the department describing the individual projects and their costs.

The budget requests \$100,000 from the ELPF for the first year of a research program to resolve problems in forest and rangeland management. The department indicates that the money would provide a 50 percent match for federal funds available for forestry research.

The department has provided a list of general areas of research that might be funded through the program, but has not yet selected specific projects that it intends to fund. The department indicates that the Research Advisory Committee of the Board of Forestry will review proposals and select the projects prior to hearings on the Budget Bill.

Until more information is available, we have no basis to determine whether the proposed research projects are justified. In addition, the Public Resources Code specifically limits the purposes for which ELPF monies may be used, and without specific project information, we cannot determine whether the ELPF is an appropriate funding source. Accordingly, we withhold recommendation on the request.

Youth Conservation Camps

We recommend a reduction of \$895,000 in transfers from the Department of the Youth Authority to CDFFP to correspond to recommended reductions in Item 5460-001-001.

The CDFFP, in conjunction with the Department of the Youth Authority, operates eight conservation camps and two training centers for Youth Authority wards. The CDFFP provides supervision for the wards. Traditionally, the Youth Authority pays for the first year of camp and center operations, including the CDFFP's supervisory costs. Thereafter, CDFFP's costs are covered by a direct General Fund appropriation. In 1987-88, the budget proposes to transfer \$1,493,000 in expenditure authority from the Youth Authority to CDFFP for the operation of four new or expanded camps and training centers.

In our analysis of the Youth Authority's budget (please see Item 5460), we recommend a reduction of \$895,000 in the General Fund transfer to the CDFFP, because equipment for the new camps should be purchased directly by the Youth Authority with Prison Construction (Bond) Funds. Accordingly, we recommend a corresponding reduction of \$895,000 in transfers reflected in CDFFP's budget.

**DEPARTMENT OF FORESTRY AND FIRE
PROTECTION—CAPITAL OUTLAY**

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

Budget p. R 67

Requested 1987-88	\$408,000
Recommended approval	335,000

ANALYSIS AND RECOMMENDATIONS

Minor Capital Outlay

We recommend that the department use day labor crews to construct an apparatus building at the Hurley Forest Fire Station (FFS) for a savings of \$73,000.

The budget proposes \$408,000 from the General Fund, Special Account for Capital Outlay for five minor capital outlay projects (\$200,000 or less per project). These projects, and our recommendations on each, are summarized in Table 1.

Table 1
Department of Forestry and Fire Protection
1987-88 Minor Capital Outlay Program
Item 3540-301-036(1)
(dollars in thousands)

<i>Project</i>	<i>Department Request</i>	<i>Analyst's Recommendation</i>
Nevada-Yuba-Placer RUH, Antenna	\$107	\$107
Tehama-Glenn RUH, Emergency Command Center	44	44
Fountain Springs FFS, Replacement Apparatus Building	65	65
Ione Fire Academy, Women's Shower/Restroom	42	42
Hurley FFS, Replacement Apparatus Building	150	77
Totals	\$408	\$335

Our analysis indicates that four of the projects are justified, and we recommend approval.

Hurley FFS Replacement Apparatus Building. The budget includes \$150,000 to construct a three-bay apparatus building. The 2,500 gross square foot structure would provide vehicle storage, general storage, work room and office space. The department indicates that a new building is required because the current building (1) will not accommodate new firefighting equipment, (2) does not have adequate room for working around fire engines which are inside the facility, and (3) does not meet current earthquake standards.

Our analysis indicates that the project is justified. The cost of the facility, however, exceeds the cost of the proposal at Fountain Springs FFS even though both facilities are three-bay apparatus structures. The department indicates that the major difference in cost results from the use of the department's day labor crew for the construction of the Fountain Springs FFS building while the one at Hurley would be constructed by a private contractor. The other cost factor is the need for additional demolition and site preparation work at the Hurley FFS. We see no reason why the

department cannot use day labor to construct both buildings.

Given the savings involved in using the department's day labor crew, we recommend that the Hurley FFS Apparatus Building also be constructed using day labor. Consequently, allowing for the additional demolition and site costs at the Hurley FFS, we recommend a reduction of \$73,000, for a revised estimated project cost of \$77,000.

Resources Agency STATE LANDS COMMISSION

Item 3560 from the General
Fund

Budget p. R 68

Requested 1987-88	\$14,635,000
Estimated 1986-87	15,512,000
Actual 1985-86	18,461,000
Requested decrease (excluding amount for salary increases) \$877,000 (-5.7 percent)	
Total recommended reduction	65,000

1987-88 FUNDING BY ITEM AND SOURCE

Item—Description	Fund	Amount
3560-001-001—Support	General	\$13,698,000
3560-001-890—Support	Federal Trust	(148,000)
Reimbursements	—	937,000
Total		\$14,635,000

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

Analysis
page

1. *Map Conversions. Reduce Item 3560-001-001 by \$65,000.* 387
Recommend reduction of funds requested for converting existing maps to new coordinate system, because the commission needs to make only *new* maps using the new coordinate system.

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,

STATE LANDS COMMISSION—Continued

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 235.4 personnel-years of staff in the current year.

OVERVIEW OF THE BUDGET REQUEST

The budget proposes expenditures of \$14,635,000 from the General Fund (\$13,698,000) and reimbursements (\$937,000) for support of the State Lands Commission in 1987–88. This is a decrease of \$877,000, or 5.7 percent, from estimated current-year expenditures from those sources. The General Fund request is \$927,000, or 6.3 percent, less than estimated General Fund expenditures in the current year. The budget has been reduced by \$138,000, which is approximately 1 percent of the General Fund support, as a "Special Adjustment."

The budget proposes *total* expenditures by the commission of, \$14,783,000 in 1987–88, including expenditures of \$148,000 from the state's share of federal outer continental shelf (OCS) revenues under Section 8(g) of the Federal OCS Lands Act. Total proposed expenditures of \$14,783,000 are \$721,000, or 4.7 percent, less than the amount estimated to be spent during the current year. This comparison and the expenditure tables that follow do not include any potential savings in 1986–87 that may be achieved in response to the Governor's December 22, 1986 directive to state agencies and departments to reduce General Fund expenditures.

Table 1
State Lands Commission
Summary of Expenditures and Funding Sources
1985–86 through 1987–88
(dollars in thousands)

Program	Personnel-Years			Expenditures			Percent Change from 1986–87
	Actual	Est.	Prop.	Actual	Est.	Prop.	
	1985–86	1986–87	1987–88	1985–86	1986–87	1987–88	
Extractive Development							
State Leases	59.1	57.6	59.0	\$6,722	\$5,168	\$4,749	–8.1%
Long Beach Operations	43.4	43.7	44.8	3,356	2,901	2,940	1.3
Land Management and Conser- vation	94.5	93.5	95.8	5,798	4,763	4,462	–6.3
Administration	43.6	40.6	41.7	2,585	2,680	2,770	3.4
Special Adjustment	–	–	–	–	–	–138	NMF ^a
Totals	240.6	235.4	241.3	\$18,461	\$15,512	\$14,783	–4.7%
Funding Sources							
General Fund				\$16,746	\$14,625	\$13,698	–6.3%
Environmental License Plate Fund				150	–	–	–
Federal Trust Fund				–	–	148	NMF ^a
Reimbursements				1,565	887	937	–5.6

^a Not a meaningful figure.

The proposed General Fund appropriation of \$13,698,000 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 (\$11,348,000) and state school lands revenue (\$2,350,000). 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. The transfer from tidelands oil revenues covers the cost of overseeing oil and gas operations on state lands and the commission's general activities. The transfer from school lands revenues covers the cost of managing those lands.

Table 1 summarizes expenditures and sources of funds for the State Lands Commission from 1985-86 through 1987-88.

Proposed Budget Changes

Table 2 summarizes the commission's proposed budget changes for 1987-88, by funding source.

Table 2
State Lands Commission
Proposed 1987-88 Budget Changes
By Funding Source
(dollars in thousands)

	<i>General Fund</i>	<i>Other</i>	<i>Total</i>
1985-86 Expenditures (Revised)	\$14,625	\$887 ^a	\$15,512
A. Workload and Administrative Adjustments			
1. Deletion of one-time projects (primarily preleasing studies offshore Santa Barbara)	-1,089	-	-1,089
2. Reduce salary savings from 6.8% to 4.6% (5.9 PYs)	300	-	300
3. Special Adjustment	-138	-	-138
B. Program Changes			
1. Reproduce and analyze seismic data from federal oil and gas leases adjacent to state waters	-	148 ^b	148
2. Create methodology for appraising value of state school lands	-	50 ^a	50
1987-88 Expenditures (Proposed)	\$13,698	\$1,085	\$14,783
Change from 1986-87:			
Amount	-\$927	\$198	-\$729
Percent	-6.3%	22.3%	-4.7%

^a Reimbursements.

^b Federal section 8(g) funds.

ANALYSIS AND RECOMMENDATIONS

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

- Reduction in the commission's salary savings rate from 6.8 percent to 4.6 percent to more accurately reflect staff vacancy rates, at a cost of \$300,000 to the General Fund.
- Reproduction and analysis of seismic data from federal oil and gas leases on Section 8(g) lands adjacent to state waters in order to evaluate whether the state is receiving its proper share of Section 8(g) revenue, at a cost of \$148,000 from federal Section 8(g) funds. Section 8(g) federal lands are adjacent to state waters and extend from three

STATE LANDS COMMISSION—Continued

to six miles offshore. The state receives approximately 27 percent of all net federal revenue from Section 8(g) lands.

- Development of a methodology for appraising the value of state school lands, at a cost of \$50,000 from reimbursements. The reimbursements will be derived from revenues that the state receives from the school lands, which would otherwise be deposited in the State Teachers' Retirement Fund.

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 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.

Revenues Estimate for 1987-88. The budget estimates that the state will receive a total of \$150.4 million in tidelands oil and gas revenue in 1987-88. This amount consists of \$125 million in revenue from Long Beach production and \$25.4 million in revenue from statewide leases. The commission indicates that these estimates are based on oil prices of \$11.25 per barrel for oil from Long Beach and \$8.25 per barrel for the less valuable Santa Barbara oil. Although our analysis indicates that these assumptions are reasonable, oil prices are difficult to predict in today's volatile marketplace. The commission indicates that it will update its estimate in February prior to budget hearings.

The estimate of \$150.4 million for 1987-88 is \$10 million, or 6.6 percent, above estimated oil and gas revenue in the current year (\$140.4 million). This increase reflects a general increase in the price of oil and gas since the beginning of 1986-87, which the commission believes will be sustained in 1987-88.

At the time that the 1986 Budget Act was enacted, the estimate for tidelands oil and gas revenues in 1986-87 was \$99.4 million, based on estimated oil prices of \$10 per barrel in Long Beach and \$8.10 per barrel in Santa Barbara. Subsequently, the commission's revenue estimate declined further to \$82.4 million in August 1986 and then rebounded to \$140.4 million in December, reflecting the swings in oil prices. As a result, the Special Account for Capital Outlay will receive \$41 million more in tidelands oil revenues in 1986-87 under Section 11.50 of the 1986 Budget Act than was anticipated last June.

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 \$5.9 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 cost to manage the lands, are deposited into the State Teachers' Retirement Fund (STRF). The budget for 1987-88 proposes to deposit \$2.4 million of this revenue in the General Fund to cover the commission's cost of managing the state school lands. The remaining \$3.5 million will be deposited in the STRF.

Proposed Changes in Commission Maps Not Coordinated

We recommend a reduction of \$65,000 to eliminate funds for the conversion of existing commission maps to a new coordinate system, because the commission needs only to use the new coordinate system when making new maps. (Reduce Item 3560-001-001 by \$65,000).

The budget requests \$65,000 from the General Fund for contract assistance to convert existing maps and documents to a new mapping coordinate system that has been adopted by the National Geodetic Survey (NGS). Prior to 1983, the NGS based its coordinate system for maps on reference points established in 1927—termed the 1927 North American Datum, or 1927-NAD. In 1983, the NGS adopted new reference points, called the 1983-NAD, based on new information about the shape of the earth. The commission received \$75,000 in the 1986 Budget Act to begin the process of converting existing maps to the new coordinate system. As of January 12, 1987 the commission had not spent any of the \$75,000 because the NGS had not provided it with the computer software needed to switch to the new coordinate system.

Total Costs to Convert Existing Maps About \$500,000. The commission indicates that it needs to convert virtually all existing maps and documents to the 1983-NAD coordinate system because it frequently must reference these documents for such things as leasing lands, issuing and renewing land-use permits, and resolving land title disputes. The commission estimates that to convert all existing maps and documents would cost roughly \$500,000 over several years.

Commission Needs Only to Use New Coordinates on New Maps and Documents. Chapter 611, Statutes of 1986 (SB 1680) requires only that new maps and documents produced after 1995 use the new 1983-NAD coordinates. The legislation also maintains the legal validity of existing maps and documents that use the old coordinate system. An informal survey of the Departments of Transportation, Water Resources, Conservation, and Parks and Recreation, all of which produce and use maps on a regular basis, indicates that none of these departments plan to convert existing maps to the new coordinate system. The commission has not justified any special needs or circumstances that require conversion of its existing maps now that the legal validity of these maps has been assured by Ch 611/86. Consequently, we believe that the requested \$65,000 (eventually \$500,000) to convert the commission's existing maps is not needed and recommend it be deleted.

STATE LANDS COMMISSION—CAPITAL OUTLAY

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

Budget p. R 73

Requested 1987-88	\$314,000
Recommendation pending	314,000

ANALYSIS AND RECOMMENDATIONS

We withhold recommendation on \$314,000 in Item 3560-301-036(1) pending receipt of a priority list of all projects identified in the Commission's hazard inventory report including associated cost estimates and a schedule for completing each project under the hazards removal program.

The budget requests \$314,000 to remove abandoned structures located under water and on state tidelands. The proposal would remove six hazards in four counties. The location along with a brief description of each hazard and the evaluation of the hazard's risk to the public (as shown in the Commission's October 1986 report) follows:

- Los Angeles. Deteriorating steel sheet-pile and timber groin in the Santa Monica Bay at El Segundo (\$15,000). Risk: moderate.
- Marin. Sunken, partially exposed vessel near the east shore of Tomales Bay (\$51,000). Risk: minimal.
- San Diego. Piles on the beach at Del Mar (\$24,000). Risk: extreme.
- Santa Barbara. Remains of oil drilling pier in the Santa Barbara channel near Isla Vista (\$29,000). Risk: extreme.
- Santa Barbara. Remains of pier in the Santa Barbara channel approximately one-half mile northwest of Coal Oil Point (\$14,000). Risk: moderate.
- Santa Barbara. Remains of six oil drilling piers at El Capitan Beach State Park (\$181,000). Risk: extreme.

Background

In the 1985 Budget Act, the Legislature appropriated \$88,000 to the State Lands Commission to study the removal of hazards to public safety and navigation on state lands. The study area was limited to the coastline, the Sacramento and San Joaquin Delta area and known school land hazards. The study was to include the following:

- A description of hazardous items and why they are considered hazardous.
- A priority list identifying the hazards and the criteria used to determine the priorities.
- Time frames for completing a hazard removal program with detailed cost estimates.
- Identification where applicable of those lessees responsible for the hazards and a plan for cost recovery or remediation by the lessee.

The results of the study were to be submitted to the Legislature by October 1, 1986.

Additional Data Necessary

In October 1986, the State Lands Commission submitted a coastal hazards inventory program to the Legislature. The inventory contains a detailed listing of identified hazards, along with locations by county, photographs of the hazards, and cost estimates. The five-volume report indicates estimated costs of \$15 million to remove 403 hazards.

The commission's report contains a large amount of data on the hazards, ownership, degree of risk, estimated level of use in the vicinity of the hazard, and recommendations for mitigation/abatement. The commission's report, however, does not contain a schedule or priority list for remediating all the hazards identified in the report. Consequently, it is not apparent that the 1987-88 request—which contains three extreme hazards as well as one minimal hazard—will remediate the most extreme risks posed by the 403 hazards. Consequently, we recommend that, prior to budget hearings, the commission submit to the Legislature a priority list of all hazards identified in the report, along with the estimated costs and a schedule for completing the hazard removal program.

Supplemental Report Language

For purposes of project definition and control, we recommend that the fiscal committees adopt supplemental report language which describes the scope of each of the capital outlay projects approved under this item.

Resources Agency
SEISMIC SAFETY COMMISSION

Item 3580 from the General

Fund

Budget p. R 73

Requested 1987-88	\$697,000
Estimated 1986-87	1,509,000
Actual 1985-86	1,150,000
Requested decrease (excluding amount for salary increases) \$812,000 (-53.8 percent)	
Total recommended reduction	None

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 14.9 authorized personnel-years in the current year.

SEISMIC SAFETY COMMISSION—Continued**OVERVIEW OF THE BUDGET REQUEST**

The budget proposes an expenditure of \$697,000 from the General Fund for support of the Seismic Safety Commission's activities in 1987-88. This amount is \$812,000, or 54 percent, less than estimated current year General Fund expenditures. The budget proposes nine personnel-years in the budget year. The decrease of 5.9 personnel-years reflects the transfer of responsibility for the Bay Area Earthquake Preparedness Program to the Office of Emergency Services (Ch 1115/86).

As Table 1 shows, the decrease in General Fund support proposed for 1987-88 reflects the:

- transfer of responsibility for the Bay Area Earthquake Preparedness Program to the Office of Emergency Services pursuant to Ch 1115/86 (—\$373,000),
- implementation of Ch 250/86 (\$50,000),
- exhaustion of several one time appropriations (—\$484,000),
- special adjustment equal to approximately 1 percent of General Fund support (—\$7,000), and
- increase to cover salary and benefit increases and miscellaneous adjustments (\$2,000).

Table 1
Seismic Safety Commission
1987-88 Budget Changes
(dollars in thousands)

	<i>General Fund</i>	<i>Federal Fund</i>	<i>Total</i>
1986-87 (Est.)	\$1,509	\$373	\$1,882
Proposed Changes:			
1. Significant Program Changes			
a. Transfer of Bay Area Regional Earthquake Preparedness Project to OEA (Ch 1115/86)	-373	—	-373
b. Implementation of hazardous building mitigation program (Ch 250/86)	50	—	50
c. Initial funding for Hazardous Building Program (Ch 250/86)	-150	—	-150
d. Earthquake Emergency Investigation Account (Ch 1492/86)	-100	—	-100
e. Prior year balances available from Coalinga study (Ch 1191/83), Earthquake Education Act (Ch 1558/84), Earthquake Hazard Reduction Act (Ch 1491/85)	-234	—	-234
f. Federal Trust Fund	—	-373	-373
2. Workload and Administrative Adjustments			
a. Special adjustment	-7	—	-7
b. Salary and benefit increases and miscellaneous adjustments	2	—	2
	<u>\$697</u>	<u>—</u>	<u>\$697</u>
Change From 1986-87			
Amount	\$812	\$373	\$1,185
Percent	-53.8%	-100%	-63%

ANALYSIS AND RECOMMENDATIONS*We recommend approval.*

The various changes in the commission's budget that result in an \$812,000 reduction reflect (1) actions taken by the Legislature through enactment of various laws and (2) minor administrative adjustments. The proposed budget should allow the commission to administer its responsibilities related to seismic safety.

Resources Agency
DEPARTMENT OF FISH AND GAME

Item 3600 from the General
Fund and various special
funds

Budget p. R 75

Requested 1987-88	\$92,599,000
Estimated 1986-87	94,507,000
Actual 1985-86	88,073,000
Requested decrease (excluding amount for salary increases) \$1,908,000 (-2.0 percent)	
Total recommended reduction	2,401,000

1987-88 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	\$10,155,000
3600-001-140—Support, nongame species and environmental protection programs, maintenance and operation of ecological reserves and wildlife areas	Environmental License Plate	11,454,000
3600-001-200—Support	Fish and Game Preservation	61,029,000
3600-001-890—Support	Federal Trust	(13,745,000)
3600-001-940—Salmon restoration projects	Renewable Resources Investment	730,000
3600-495—Reversion	General	(-1,000)
Reimbursements	—	7,606,000
Ch 1429/85—Oil spills response	Fish and Game Preservation	1,287,000
Ch 1236/85—Fisheries restoration	Fish and Game Preservation	338,000
Budget Act of 1986—Repayment of interest on General Fund loan	Fish and Game Preservation	(160,000)
Total		\$92,599,000

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

Analysis
page

1. *Loan Payback. Recommend addition of new Item 3600-*

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DEPARTMENT OF FISH AND GAME—Continued

- 011-200 in the amount of \$650,000.* Recommend appropriation of \$650,000 as first installment on repayment of a General Fund loan to the Fish and Game Preservation Fund as directed by the 1986 Budget Act. Further recommend adoption of Budget Bill language requiring loan to be paid in 48 monthly installments.
2. *Upper Newport Bay. Reduce Item 3600-001-001 by \$1 million.* 397
Recommend reduction to eliminate inadvertant budgeting for dredging.
 3. *Private Wildlife Areas Program.* 398
Recommend department report at budget hearings on its plan for addressing the deficiency in the Private Wildlife Areas Dedicated Account.
 4. *Fish Food. Reduce Item 3600-001-200 by \$651,000 and reimbursements by \$153,000.* 399
Recommend reduction to eliminate overbudgeting for fish food.
 5. *Wildlife Reseach. Reduce Item 3600-001-140 by \$284,000.* 399
Recommend reduction because the department has not (1) provided any information to substantiate a projected decline in federal funds for wildlife research projects or (2) provided information to justify the proposed projects and associated costs.
 6. *Hatchery Overtime. Reduce Item 3600-001-200 by \$200,000.* 400
Recommend reduction because the department has not provided information to support its request to pay for overtime at the hatcheries.
 7. *Special Investigative Units. Reduce Item 3600-001-001 by \$240,000 and increase Item 3600-001-200 by \$127,000.* 401
Recommend General Fund reduction and a partial funding shift because (1) the department has overestimated the amount needed for the operating expenses of the special investigative units, and (2) these costs should be shared by the Fish and Game Preservation Fund.
 8. *Funding for Department Activities.* 402
Recommend adoption of supplemental report language requiring (1) the department to indicate, as part of its time reporting system, the species which are the primary beneficiaries of each of the department's activities, and (2) the DFG and the Department of Finance to report on the results of its time reporting study.

GENERAL PROGRAM STATEMENT

The Department of Fish and Game (DFG) 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 approximately 160 ecological reserves, wildlife management areas, habitat conservation areas, and interi-

or and coastal wetlands throughout the state.

The department is authorized 1,504 personnel-years in the current year.

OVERVIEW OF THE BUDGET REQUEST

The budget proposes expenditures of \$92,599,000 from state funds and reimbursements for the support of DFG in 1987-88. This is a net reduction of \$1.9 million, or 2.0 percent, from estimated current-year expenditures. The net decrease results from (1) a decrease of \$4.6 million in expenditures for fisheries restoration reflecting a reduction in available funds and (2) various increases totaling approximately \$2.7 million in the department's other programs.

The budget proposes total expenditures of \$106,504,000 from all sources. This amount is a decrease of \$1.2 million, or 1.1 percent, from estimated current-year expenditures.

The department's proposed expenditure plan would be financed by \$83.4 million from state funds requested in the Budget Bill, \$7.6 million in reimbursements, \$13.7 million in federal funds, \$160,000 in interest payments from the FGPF to the General Fund, and \$1.6 million appropriated in chaptered legislation for oil spills response activities and fisheries resources restoration.

Table 1
Department of Fish and Game
Budget Summary
1985-86 through 1987-88
(dollars in thousands)

Program	Personnel-Years			Expenditures			Percent Change From 1986-87
	Actual 1985-86	Est. 1986-87	Prop. 1987-88	Actual 1985-86	Est. 1986-87	Prop. 1987-88	
Enforcement of laws and regulations	386.3	396.6	398.6	\$25,908	\$27,950	\$29,929	7.1%
Wildlife management	207.5	180.7	181.7	25,434	19,907	20,477	2.9
Nongame heritage	—	48.5	48.5	—	5,436	5,844	7.5
Inland fisheries	259.9	265.7	266.7	13,740	15,421	15,596	1.1
Anadromous fisheries..	166.6	172.4	172.4	21,847	24,278	19,371	-20.2
Marine resources.....	109.9	106.3	106.3	6,712	7,793	8,258	6.0
Environmental serv- ices	74.4	77.0	77.0	5,610	6,920	7,132	3.1
Administration (dis- tributed to other programs)	248.2	256.7	256.7	(12,852)	(14,092)	(13,545)	-3.9
Special adjustment	—	—	—	—	—	-103	NMF ^a
Totals	1452.8	1503.9	1507.9	\$99,251	\$107,705	\$106,504	-1.1%
Funding Sources							
Fish and Game Preservation Fund (FGPF)				\$49,790	\$58,528	\$62,476	6.7%
Fisheries Restoration Account, FGPF				4,721	4,941	338	-93.2
General Fund				13,467	9,873	10,155	2.9
Environmental License Plate Fund				11,022	10,296	11,454	11.2
Special Account for Capital Outlay				2,706	—	—	NMF ^a
Renewable Resources Investment Program Fund				975	862	730	-15.3
Federal funds				11,178	15,698	13,745	-12.4
Federal offshore oil revenues ^b				—	(2,500)	—	-100.0
Reimbursements				5,392	7,507	7,606	1.3

^a Not a meaningful figure.

^b Funds from the state's share of federal offshore oil revenues pursuant to Section 8(g) of the Outer Continental Shelf Lands Act.

DEPARTMENT OF FISH AND GAME—Continued

The budget has been reduced by \$103,000, which is approximately 1 percent of General Fund support, as a Special Adjustment. The expenditure tables which follow have not been adjusted to reflect any potential savings in 1986-87 which may be achieved in response to the Governor's December 22, 1986 directive to state agencies and departments to reduce General Fund expenditures.

The budget also proposes to revert to the General Fund the unencumbered balance of the funds appropriated by Ch 1563/85 for the publication of certain brochures.

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

A direct comparison of year-to-year expenditures by fund is misleading because in the current year, the FGPF received \$2.5 million from federal offshore oil revenues to improve responses to offshore oil spills pursuant to Ch 1390/85. The budget shows the transfer of these funds as a negative expenditure from the FGPF and a positive expenditure from federal funds. Although there is no net effect on total expenditures, this accounting adjustment understates expenditures from the FGPF by \$2.5 million and overstates expenditures from federal funds by an equal amount. Thus, if an adjustment is made for this transfer, the comparison of expenditures from the FGPF and federal funds in the current and budget years is more meaningful. On this basis, expenditures from the FGPF would increase by \$1.4 million, or 2.4 percent in 1987-88 and expenditures from federal funds would increase by \$547,000, or 4 percent.

Proposed Budget Changes for 1987-88

Table 2 summarizes, by funding source, the changes proposed in the department's budget for 1987-88.

Table 2
Department of Fish and Game
Proposed 1987-88 Budget Changes
(dollars in thousands)

	<i>Fish & Game Preser- vation Fund</i>	<i>General Fund</i>	<i>Environ- mental License Plate Fund</i>	<i>Other State Funds^a</i>	<i>Federal Funds</i>	<i>Reim- burse- ments</i>	<i>Totals</i>
1986-87 Expenditures (Revised)	\$58,528	\$9,873	\$10,296	\$5,803	\$15,698	\$7,507	\$107,705
1. Baseline adjustments:							
a. One-time adjustments	-560	-33	-229	-100	—	—	-922
b. Elimination of one-time transfer from federal offshore oil revenues	2,500	—	—	—	-2,500	—	—
c. Pro rata adjustment ...	-665	—	201	-32	—	—	-496
d. Oil Spills Response Program augmentation (Ch 1429/85) ...	324	—	—	—	—	—	324

e. Fisheries restoration reduction	—	—	—	-4,603	—	—	-4,603
f. Repayment of interest on General Fund loan	160	—	—	—	—	—	160
g. Miscellaneous adjustments	-57	—	-100	—	824	—	667
h. Special Adjustment	—	-103	—	—	—	—	-103
2. Program Changes							
a. Increase operating expenses for special enforcement units	—	340	—	—	—	—	340
b. Purchase enforcement vessel	387	63	—	—	—	—	450
c. Increase on-going maintenance of ecological reserves	—	—	394	—	—	—	394
d. Special repairs at hatcheries	316	—	—	—	—	—	316
e. Increase operating expenses for Licensing and Revenue Branch	315	—	—	—	—	—	315
f. Transfer costs for non-game research	—	—	284	—	-284	—	—
g. Research on the effect of seismic testing on fish	250	—	—	—	—	—	250
h. Increase deer management, ocean resources, striped bass, and duck stamp programs	835	—	—	—	—	—	835
i. Replace fish hauling vehicles	112	—	—	—	—	—	112
j. Overtime pay at hatcheries (+3 py)	205	—	—	—	60	32	297
k. Reduce fish food costs	-404	—	—	—	—	—	-404
l. Manual of wild plants..	—	—	300	—	—	—	300
m. Guajome Regional Park marsh restoration	—	—	170	—	—	—	170
n. Management plan for San Elijo Lagoon	—	—	180	—	—	—	180
o. Miscellaneous changes (+1.1 py)	230	15	-42	—	-53	67	217
1987-88 Expenditures (proposed)	\$62,476	\$10,155	\$11,454	\$1,068	\$13,745	\$7,606	\$106,504
Change from 1986-87:							
Amount	\$3,948	\$282	\$1,158	-\$4,735	-\$1,953	\$99	-\$1,201
Percent	6.7%	2.9%	11.2%	-81.6%	-12.4%	1.3%	-1.1%

^a Fisheries Restoration Account, Fish and Game Preservation Fund, and Renewable Resources Investment Program Fund.

ANALYSIS AND RECOMMENDATIONS

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

- An increase of \$450,000 (\$387,000 from the Fish and Game Preservation Fund (FGPF) and \$63,000 from the General Fund) to replace an oceanic enforcement vessel.

DEPARTMENT OF FISH AND GAME—Continued

- An increase of \$394,000 from the Environmental License Plate Fund (ELPF) for the ongoing maintenance of ecological reserves.
- A one-time increase of \$316,000 from the FGPF for special repairs at fish hatcheries.
- A one-time increase of \$250,000 from the FGPF for studies to determine the effect on fish populations of seismic testing (used to locate offshore oil deposits), pursuant to the requirements of Ch 1390/85.
- Increases totaling \$835,000 from various dedicated accounts within the FGPF to increase (1) deer management activities—\$250,000, (2) research efforts on ocean fisheries—\$200,000, (3) studies on striped bass—\$185,000, and (4) wetlands habitat enhancement for ducks—\$200,000.
- A one-time increase of \$112,000 from the FGPF to replace fish-hauling vehicles.
- A one-time increase of \$300,000 from the ELPF to finance the development of a manual of wild plants by the Jepson Herbarium.
- An increase of \$315,000 from the FGPF for increased operating expenses in the department's Licensing and Revenue Branch.
- A one-time increase of \$170,000 from the ELPF to restore marshlands at Guajome Regional Park in San Diego.
- A one-time increase of \$180,000 from the ELPF to purchase equipment to maintain fish and wildlife habitat at San Elijo Lagoon Ecological Reserve in San Diego.

We also recommend approval of the proposed reversion in Item 3600-495 of the unencumbered balance of the funds appropriated by Ch 1563/85. The measure appropriated \$6,000 to DFG to publish a brochure warning people about the dangers of fishing and hunting near marijuana gardens. The department indicates that by the end of 1987-88, it will fulfill the requirements of Ch 1563/85 and that approximately \$1,000 will remain unexpended.

Loan Repayment Will Be Delinquent

We recommend addition of a new item to the Budget Bill appropriating \$650,000 from the Fish and Game Preservation Fund to the General Fund in order to provide for partial repayment of a General Fund loan, as required by the 1986 Budget Act. We further recommend that Budget Bill language be adopted requiring the department to (1) repay the General Fund loan in 48 monthly installments, and (2) conclude repayment by June 30, 1991. (Add Item 3600-011-200 in the amount of \$650,000 and replace provision 2 of Item 3600-001-200.)

The Budget Bill does not provide for any repayment of a \$2 million loan which the General Fund made to the FGPF in 1985-86. In addition, Provision 2 of Item 3600-001-200 of the Budget Bill would eliminate the existing requirement that the department repay the loan in 48 monthly installments.

Background. The 1985 Budget Act provided a \$2 million loan from the General Fund to the Fish and Game Preservation Fund (FGPF) as one of a series of measures designed to avoid a potential \$7.1 million deficiency in general support for the department. In making the loan, the Legislature also adopted Budget Act language requiring the department to repay the General Fund from the FGPF in 48 monthly installments

(ending June 30, 1990), with interest calculated at the rate received by the Pooled Money Investment Account (PMIA).

In the 1986 Budget Act, the Legislature granted the department a one-year deferral of the loan repayment in order to maintain a more adequate reserve in the FGPF. The Legislature, however, also adopted language restating the earlier repayment requirement with a final repayment date of June 30, 1991.

In order to comply with this requirement, the 1987 Budget Bill should transfer approximately \$650,000 (the exact amount would depend on the PMIA interest rate) from the FGPF to the General Fund for the loan repayment.

The budget document does reflect a transfer of \$160,000 from the FGPF to the General Fund in 1987-88 to pay only the estimated *interest* which accrued in 1985-86 on the loan. According to the Department of Finance, however, this transfer will occur only when DFG writes a letter to the State Controller requesting the fund transfer.

Conclusion. We see no reason to delay repayment of the full \$650,000 due in the budget year. Based on the Governor's Budget, making the required repayment still would leave a reserve of \$3 million available for general purposes in the FGPF. This amount is equal to 5.9 percent of proposed expenditures, and represents an adequate reserve for contingencies and employee compensation increases for the budget year. (Elsewhere in this analysis, we recommend reductions totaling \$1.1 million from the FGPF which, if adopted, would further increase the reserve in the fund.) Accordingly, we recommend the following actions in order to provide for the loan repayment:

1. Addition of the following item to the Budget Bill to provide for the full required repayment in the budget year.

"3600-011-200—For transfer by the State Controller from the Fish and Game Preservation Fund to the General Fund, an amount sufficient to pay principal and interest in the 12 equal monthly installments due in 1987-88, pursuant to Provision 6 of Item 3600-001-200 of the 1986 Budget Act, for partial repayment of a loan provided in the 1985 Budget Act..... (\$650,000)"

2. Deletion of proposed Provision 2 of Item 3600-001-200 and adoption of substitute Budget Bill language restating the existing repayment requirement. This requirement provides a reasonable loan repayment schedule, and evenly distributes the impact of the loan repayment on the FGPF over several years. The following language is the same as the language included in the 1986 Budget Act.

"Notwithstanding Provision 1 of Item 3600-011-001 of the Budget Act of 1985, the department shall repay by June 30, 1991, the \$2,000,000 loan from the General Fund to the Fish and Game Preservation Fund provided in the 1985 Budget Act. The loan shall be repaid in 48 monthly installments, with interest calculated at the rate received by funds in the Pooled Money Investment Account."

Funding for Dredging Upper Newport Bay Inadvertently Requested

We recommend a General Fund reduction of \$1 million to eliminate inadvertent budgeting for dredging operations at Upper Newport Bay. (Reduce Item 3600-001-001 by \$1 million.)

The budget requests \$1 million from the General Fund for dredging operations at Upper Newport Bay in Orange County, where the depart-

DEPARTMENT OF FISH AND GAME—Continued

ment operates and maintains 757 acres of wetlands as an ecological reserve. This funding was provided in the 1986 Budget Act for the final phase of a multi-year dredging operation at Upper Newport Bay. The department advises that payments for the dredging operations are scheduled to conclude in the current year, and that the \$1 million was included in the budget through an oversight. Accordingly, we recommend a reduction of \$1 million from the General Fund.

Private Wildlife Areas Program Needs Help

We recommend that the department report during budget hearings on its plan for correcting the deficit condition of the Private Wildlife Areas Dedicated Account in the Fish and Game Preservation Fund.

The budget proposes \$50,000 from the Fish and Game Preservation Fund (FGPF) for administration of the private wildlife area management program. This program, which began in 1983, is designed to encourage private landowners to improve fish and wildlife habitat on their property. Under the program, DFG licenses individuals to operate profit-making wildlife areas on their lands. The landowners are given incentives, such as extended hunting and fishing seasons, to participate in the program and to improve wildlife habitat on their property for recreational purposes.

To obtain a license, a landowner must (1) submit a wildlife management plan to the Fish and Game Commission for approval and (2) pay a specified fee. The Fish and Game Code requires the fee to cover the department's costs of administering the program. The fee currently is set at \$300 for a three-year license. The fee revenue is deposited into a separate dedicated account in the FGPF. Table 3 shows the estimated revenue to, and expenditures from, the Private Wildlife Areas Dedicated Account for the prior, current, and budget years.

Table 3
Private Wildlife Areas Dedicated Account
Estimated Revenues and Expenditures
1985-86 through 1987-88
(dollars in thousands)

	1985-86	1986-87	1987-88
Beginning Reserve	-\$32	-\$51	-\$69
Revenues	22	32	32
Expenditures	-41	-50	-50
Ending Reserves	-\$51	-\$69	-\$87

As shown in Table 3, the account has been in a deficit condition since before 1985-86. The department estimates that it will receive only \$32,000 in revenue in 1987-88 from the private wildlife areas program. This is \$18,000 less than proposed program expenditures of \$50,000. The department apparently has paid program costs over the past several years by diverting funds from other programs. Based on proposed spending for 1987-88, the budget indicates that the Private Wildlife Areas Dedicated Account will end the budget year with a deficit of \$87,000.

Clearly, the department needs to develop a plan to address the increasing deficit in the account. Because current law requires the costs of the program to be paid fully from the fees, the department has two options for addressing this problem: (1) request the commission to increase ap-

plication fees, or (2) reduce program expenditures. We recommend that the department report during budget hearings on its plan to correct the deficit condition of the Private Wildlife Areas Dedicated Account.

Fish Food Budget Still Overfed

We recommend a reduction of \$651,000 requested from the Fish and Game Preservation Fund and \$153,000 in reimbursements for fish food, because the amount is overbudgeted. (Reduce Item 3600-001-200 by \$651,000 and reimbursements by \$153,000.)

The budget requests a total of \$2,986,000 from the Fish and Game Preservation Fund (\$2,341,000) and reimbursements (\$645,000) to purchase fish food for its hatcheries in 1987-88.

Historically, the department consistently has overbudgeted for fish food. Table 4 shows the department's budgeted and actual expenditures for fish food from 1981-82 through 1985-86. In each of these years, the department overbudgeted for fish food by at least \$863,000. The department's proposed fish food budget for 1987-88 is \$657,000, or 28 percent, more than the largest amount spent by the department for fish food in any of the previous five years.

Table 4
Department of Fish and Game
Fish Food Expenditures
(dollars in thousands)
1981-82 through 1985-86

	1981-82	1982-83	1983-84	1984-85	1985-86
Budgeted amount.....	\$3,060	\$3,214	\$3,172	\$3,268	\$3,390
Actual amount.....	2,134	2,131	2,309	2,329	2,182
Overbudgeted Amount.....	\$926	\$1,083	\$863	\$939	\$1,208

Although it is difficult to determine the exact amount the department should budget for fish food, our review indicates that the costs of fish food for 1987-88 are likely to be *less* than the actual costs in 1985-86 for two reasons. First, the department indicates that the price of fish food in 1987-88 probably will be lower than in 1985-86 because new *local* contractors will have lower transportation costs than previous suppliers. However, the exact amount of the price decrease is not known at this time.

Second, the department's production goals for its hatcheries indicate that it will produce fewer fish in 1987-88 than in 1985-86. The department estimates that it will produce 3,975,000 pounds of trout in 1987-88. This is 464,000 pounds, or 10 percent fewer trout, by weight, than were produced in 1985-86.

For these reasons, the amount actually spent in 1985-86 should be sufficient to meet the department's fish food needs and provide a margin for contingencies in 1987-88. Therefore, we recommend reducing the fish food budget to \$2,182,000, for a savings of \$804,000.

Wildlife Research

We recommend a reduction of \$284,000 requested from the Environmental License Plate Fund (ELPF) to replace federal funds for wildlife research because the department has not (1) provided any information to substantiate a projected decline in federal funds for this work, or (2) provided adequate information to justify the proposed projects and associated costs. (Reduce Item 3600-001-140 by \$284,000.)

DEPARTMENT OF FISH AND GAME—Continued

The budget proposes \$284,000 from the Environmental License Plate Fund (ELPF) to replace an anticipated reduction in federal funds currently used for "nongame" research.

The department estimates that it will receive \$2.6 million from the federal government in the current year from excise taxes on hunting equipment. These funds are available to the state on a minimum 25 percent matching basis for wildlife restoration work. The funds may be used for work which benefits either game or nongame species. DFG anticipates allocating \$284,000 of the amount available in the current year to research activities benefiting nongame species.

The department indicates that it anticipates a reduction in the amount of funds available from the federal excise tax in 1987-88. As a result, it is requesting ELPF funds to replace the federal funds used for "nongame" research in 1987-88.

The department has provided no documentation to support its contention that the level of funding from federal excise taxes will decline in the budget year. Historical information indicates that the amount of federal funds has varied from year to year, but shows no particular trend. In fact, the budget document itself does not reflect any anticipated reduction in the amount of these federal funds for 1987-88.

Moreover, the department has provided no information on the nature of the research projects proposed for 1987-88, or their costs. Without such information, we have no basis to determine (1) whether the projects are needed, (2) whether the estimated project costs are reasonable, or (3) whether the ELPF is an appropriate funding source for the work.

Accordingly, we recommend deletion of the \$284,000 requested from the ELPF to replace federal "nongame" research funds because the department has not provided the Legislature with (1) any information which substantiates the projected reduction in federal funds or (2) sufficient information to evaluate the projects.

Hatchery Overtime

We recommend a reduction of \$200,000 requested from the Fish and Game Preservation Fund to pay for overtime at the department's fish hatcheries, because the department has not provided information to justify its request. (Reduce Item 3600-001-200 by \$200,000.)

The budget proposes an increase of \$200,000 from the Fish and Game Preservation Fund to pay staff for overtime at the department's fish hatcheries. In the past, the department has provided its hatchery personnel with one hour compensatory time off (CTO) for each hour of overtime worked. The department indicates that as CTO is used by some staff members, others must work overtime to ensure that the work is done, thus creating a rotating cycle of CTO buildup. Approximately 19,000 hours of CTO were accrued in this manner in 1985-86.

The department estimates that even more overtime will be worked in 1987-88, primarily as the result of a recent federal ban on several chemicals which the department has used in its hatcheries to prevent the spread of fish diseases and infections. This will require the department to use more labor-intensive methods to protect the fish.

In order to address its expected budget-year overtime needs, the department is proposing to pay personnel for overtime worked, rather than compensate them with CTO. The department requests \$200,000 to pay for

about 20,000 hours overtime, at a rate of 1.5 hours pay for each hour of overtime worked.

The department has not provided sufficient information to determine whether overtime pay rather than continuation of the CTO policy is needed to ensure that all necessary work is done. The documentation submitted by the department to support its overtime pay request does not explain how paying for overtime, rather than using CTO, would help address the problem. Moreover, the department has not provided any basis for the amount of funding it has requested for overtime pay.

Although the department indicates that 19,000 hours of CTO were accrued at the hatcheries in 1985-86, it has not provided any information on the amount of CTO which was *used* at the hatcheries in 1985-86. Without this information, the *net* amount of overtime required at the hatcheries cannot be determined. If funding is needed to pay for overtime, it should be limited to the *net* costs incurred. Further, the department cannot identify what portion of the request is attributable to existing workload versus the new workload resulting from the federal ban on chemicals.

In the absence of quantitative information of this type, we have no basis to determine whether the department's request for overtime payments is reasonable or whether such payments would alleviate the problem cited by the department. Accordingly, we recommend a reduction of \$200,000 from the Fish and Game Preservation Fund.

Special Investigative Units

We recommend a General Fund reduction of \$240,000 and an increase of \$127,000 from the Fish and Game Preservation Fund for operating expenses and equipment for special investigative units because (1) the department has overestimated the additional funds required, and (2) the program costs should be shared between the two funds. (Reduce Item 3600-001-001 by \$240,000 and increase Item 3600-001-200 by \$127,000.)

The budget proposes a General Fund increase of \$340,000 for operating expenses of the department's special investigative units. Chapter 1357, Statutes of 1985 (SB 499), established roving special investigative units to enforce fish and game laws. The measure provided \$310,000 and 6 new warden positions. In addition, the department has redirected six existing positions to the special investigative units to provide a total of 12 members. The augmentation provided by Ch 1357/85 has been incorporated in the department's base budget, so that the proposed budget includes a total of \$650,000 to cover (1) the costs of the six positions added by Chapter 1357 and (2) the incremental costs arising from the new duties of the six redirected positions.

The documentation submitted by the department in support of this request indicates that the total operating expenses and equipment (O-E&E) for all 12 members of the unit will be \$380,000 in 1987-88. The department indicates that only \$40,000 is available in its base budget for these expenses after deducting staff salaries and benefits. Thus, the department is requesting an additional \$340,000.

Based on the department's own figures, however, \$113,000 of the total amount needed for OE&E in 1987-88 is for normal costs associated with the six redirected warden positions. The department does not need new funding for these costs since OE&E funds were already budgeted for those positions. Consequently, the department's request should be reduced by \$113,000 to provide an increase of only \$227,000, rather than \$340,000.

Costs Should Be Shared. The first-year funding for the special in-

DEPARTMENT OF FISH AND GAME—Continued

vestigative units established by Chapter 1357 totaled \$310,000, consisting of \$175,000 from the FGPF and \$135,000 from the General Fund. The department has not presented any reason to change the funding ratio approved by the Legislature. Thus, of the \$227,000 required funding level, \$127,000 should be paid from the FGPF and \$100,000 should be paid from the General Fund.

Accordingly, we recommend a total General Fund reduction of \$240,000, and an increase of \$127,000 from the FGPF for operating expenses of special investigative because (1) the department has overestimated the additional funds required, and (2) the program costs should be shared between the FGPF and the General Fund.

Who Should Pay for Department's Activities?

We recommend that the Legislature adopt supplemental report language requiring (1) the department to collect, as part of its time reporting system, data on the fish or wildlife species which are the primary beneficiaries of each of the department's activities, and (2) the department and the Department of Finance to submit by November 1, 1987 a report summarizing the results of its time reporting study and suggesting funding options based on those results.

The Fish and Game Code establishes a funding policy for the department under which activities which primarily benefit game species generally are paid from the FGPF, and activities which primarily benefit nongame species generally are financed from other sources such as the General Fund or Environmental License Plate Fund (ELPF). As a result of concern about the department's implementation of this policy, the Legislature adopted language in the *Supplemental Report of the 1985 Budget Act* directing the DFG and the Department of Finance to report on the allocation of costs within the DFG, and the basis for the existing funding arrangement.

The report, issued in November 1985, identified several severe fiscal and administrative problems at the DFG, which resulted in DFG funding some of its activities inappropriately.

Development of New Cost Allocation System. In order to address some of the problems identified in the report, the department has developed a new cost allocation methodology. As the first step, it revised its time reporting system to indicate the type of activity performed, including a checklist which is used to identify the species benefiting from the activity. The department implemented the new system in the current year.

As the second step, the department indicates that, in the summer and fall of 1987, it and the Department of Finance will determine the "appropriate" funding source, or mix of funding sources, for each activity. The employee time records and the decisions regarding "appropriate" funding sources ultimately will form the basis for revising the department's future budget requests.

System Has Some Biases. The department generally has directed its employees to categorize activities recorded on their time sheets by the species which benefits from the activity. This is consistent with the game/nongame distinction in current law. However, in some cases, the department has directed its employees to categorize an activity on a different basis—whether or not the activity is related to the *taking* of fish and game by hunters and fishers.

In effect, the department's time reporting system assumes for some activities that the funding policy will change from a game/nongame distinction to one of "appropriate" use (uses which remove animals from the environment, such as hunting and fishing) versus nonappropriate use (such as birdwatching) regardless of the species that benefits. For instance, maintenance of a waterfowl area can benefit appropriate users (hunters) and nonappropriate users (birdwatchers). However, the species which primarily benefit from these activities may be ducks—a game species.

The decision on the appropriate funding policy should be made with the Legislature's participation after the data have been collected. Accordingly, we recommend that the Legislature adopt supplemental report language directing the department to require its employees, in all cases, to use the species checklist in filling out their timesheets in order to identify the species which primarily benefit from every activity. Specifically, we recommend that the Legislature adopt the following supplemental report language:

"In its time reporting system, the Department of Fish and Game shall record the species that primarily benefit from each departmental activity."

Legislature Should Have Adequate Time to Consider Alternative Funding Options. Since the Legislature will need time to consider the implications of potential changes in funding policy based on information from the new cost allocation system, we recommend adoption of the following supplemental report language directing the Departments of Fish and Game and Finance to submit by November 1, 1987 a report summarizing the results of the time reporting study and suggesting funding options based on those results:

"The Department of Fish and Game and the Department of Finance shall submit to the Legislature by November 1, 1987 a report summarizing the results of its time reporting study by program element, suggested funding options based on those results, and the fiscal implications of these options. The report should include a summary by program element of the number of hours spent on each activity and the species which benefitted from the activity."

This report will provide the Legislature with information on the results of the department's time reporting system in a form that will correspond to the department's budget display.

DEPARTMENT OF FISH AND GAME—CAPITAL OUTLAY

Item 3600-301 from the Fish and
Game Preservation Fund

Budget p. R 94

Requested 1987-88	\$1,333,000
Recommended approval	841,000
Recommended reduction	301,000
Recommendation pending	191,000

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

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1. *Land Acquisition, Development, Enhancement, Delete Item 3600-301-200(3).* Recommend deletion of \$100,000 because department has not provided a list of proposed acquisitions. 405
2. Withhold recommendation on one minor project pending receipt of additional information. 406
3. *Minor Projects. Reduce Item 3600-301-200(1) by \$201,000.* Recommend reduction for three projects which are not substantiated or can be completed at a reduced cost. 406

ANALYSIS AND RECOMMENDATIONS

The budget proposes \$1,333,000 from the Fish and Game Preservation Fund for two major capital outlay projects (\$298,000) and 17 minor projects (\$1,035,000). Table 1 summarizes the department's request, along with our recommendation.

Table 1
Department of Fish and Game
1987-88 Major Capital Outlay Program
Item 3600-301-200
(dollars in thousands)

Subitem	Project Title	Phase ^a	Budget Bill Amount	Analyst's Recommended Amount
(1)	Minor Projects	pwc	\$1,035	\$844
(2)	Construct Bird Control Screens	pwc	198	198
(3)	Land Acquisition, Development, Enhancement	a	100	—
Totals		\$1,333	\$1,042

^a Phase symbols: a = acquisition; p = preliminary planning; w = working drawings; and c = construction.

Construct Bird Control Screens

We recommend approval.

The budget includes \$198,000 for a project to construct a bird control screen over the hatchery ponds at the San Joaquin Hatchery. The proposed screens will shelter the hatchery ponds from predatory birds that frequent the hatchery. The department estimates that these birds consume approximately 25 percent to 35 percent of the trout in the hatchery raceways. The need for protection measures is apparent and the

proposed screens are a cost effective approach. In fact, the department initially anticipated a cost of \$420,000 for this protective screen. After reevaluation, the department made a commendable effort and reduced the cost by more than 50 percent. We recommend approval.

Land Acquisition, Development and Enhancement

We recommend deletion of \$100,000 because the department has not identified what properties would be purchased. (Delete Item 3600-301-200(3), a reduction of \$100,000.)

The budget requests \$100,000 for land acquisition, development and enhancement of unspecified habitat(s) for certain critically rare and endangered species. According to the department, the funds would be available to purchase land when an opportunity arises. Thus, the department cannot identify (1) what parcels would be purchased or (2) the species that are to be protected.

Our analysis indicates that contingency budgeting for this purpose is unnecessary. Property of the type that may be purchased by this proposal is currently financed by funds budgeted under the Wildlife Conservation Board. The board acquires property to protect and preserve wildlife and to provide fishing, hunting and recreational access facilities. If an "opportunity" purchase becomes available and if the department believes it is essential to purchase the property, then the department should request the board to include the property in its priority list of acquisitions. Consequently, we recommend deletion of the \$100,000 requested, under Item 3600-301-200(3).

Table 2
Department of Fish and Game
1987-88 Minor Capital Outlay Projects
and the Legislative Analyst's Recommendations
(dollars in thousands)

<i>Project</i>	<i>Hatchery</i>	<i>Budget Bill Amount</i>	<i>Analyst's Recommended Amount</i>
Ultraviolet System for Domestic Water	San Joaquin	\$5	\$5
Two-Car Garage	Hot Creek	8	8
Water Supply Filter	Mt. Whitney	191	pending
Roadway Paving	Fish Springs	80	80
Roadway Paving	Black Rock	52	52
Replacement Equipment Shed/Garage	Napa	80	80
Roadway Paving	Mt. Whitney	57	57
Asphalt Roads	Hot Creek	70	70
Roadway Paving	Fillmore	20	20
Resurface Interior Roadway	Napa	8	8
Replace Two Residences	Fish Springs	86	—
Replace Fish Troughs	Hot Creek	88	88
Construct Steel Storage Building	Hot Creek	36	36
Modernize Spawning Facilities	Hot Creek	41	41
Pond Cover	Hot Creek	150	40
Replace Gas & Diesel Tanks/Pumps	Napa	5	—
Retaining Wall	Fillmore	58	58
Total		\$1,035	\$643

DEPARTMENT OF FISH AND GAME—CAPITAL OUTLAY—Continued**Minor Projects**

The budget includes \$1,035,000 for 17 minor capital outlay projects. These projects, along with our recommendations on each, are included in Table 2.

Our analysis indicates that 13 projects totaling \$603,000 are justified. One project (\$191,000) does not include adequate cost/descriptive data. Three projects (\$201,000) are either not justified or can be reduced in cost. Our specific recommendations for each of these projects follow.

Water Supply Filter, Mt. Whitney Hatchery (Inyo County).

We withhold recommendation on a project to replace the water supply filter at Mt. Whitney Hatchery pending receipt of a cost estimate and description of the work.

The budget includes \$191,000 to replace existing water supply rock filters constructed over 60 years ago with a new reinforced concrete sand trap filter system. The new filters would connect to the existing hatchery water supply pipelines and filter effluent settling pond. The department indicates that the concrete on the existing filter is crumbling and the wooden supports have deteriorated. It is obvious that this problem should be corrected. The department, however, does not indicate specifically what work is to be done or provide a cost estimate for the proposed work. Pending receipt of this information, we withhold recommendation of the requested amount.

Replace Residences, Fish Springs Hatchery (Inyo County).

We recommend deletion of \$86,000 requested to replace residences at Fish Springs Hatchery because the need for the project has not been substantiated.

The budget includes \$86,000 to replace two employee residences with double-wide mobile homes. The existing residences would be used to house seasonal, rather than permanent, employees.

The department does not explain why the existing housing is inadequate other than to indicate that the rooms and storage areas are small. The residences were built only 35 years ago and should be in good condition.

On this basis, we recommend deletion of the requested amount.

Pond Cover, Hot Creek Hatchery (Mono County)

We recommend a reduction of \$110,000 for a pond cover at Hot Creek Hatchery because the department can use a less costly alternative.

The budget includes \$150,000 to provide a rigid cover over the water supply pond for the hatchery. The structure would consist of a foundation and roof without walls and is proposed to reduce the amount of algae and weed growth. The department indicates that it could alternatively use a hypalon plastic covering instead of the proposed structure. The hypalon covering would cost \$40,000, a reduction of \$110,000. We recommend that the department use the alternative hypalon covering.

Replace Gas and Diesel Tanks/Pumps (Napa County)

We recommend deletion of \$5,000 to install two fuel tanks because these tanks should be replaced, if necessary, by the Department of General Services on a priority basis.

The department requests \$5,000 to install two 1,000 gallon fuel tanks at the Fish and Game facility in Napa.

The Department of General Services (DGS) is the lead agency in coordinating compliance with the state's underground tank law. Consequently, the DGS has funding for and coordinates the removal and replacement of existing state-owned tanks. Thus, the Department of Fish and Game's proposal to replace the existing tanks, if necessary, should be funded from tank replacement funds under DGS on a priority basis. Consequently, we recommend deletion of the requested amount.

According to DGS, these tanks have been tested and one tank was found to be leaking. The leaking tank will be drained and its use discontinued under the DGS program. Replacement will be on a priority basis and has not yet been scheduled.

Supplemental Report Language

For purposes of project definition and control, we recommend that the fiscal committees adopt supplemental report language which describes the scope of each of the capital outlay projects approved under this item.

Resources Agency

WILDLIFE CONSERVATION BOARD

Item 3640 from the Wildlife
Restoration Fund and Environmental License Plate Fund

Budget p. R 95

Requested 1987-88	\$664,000
Estimated 1986-87	636,000
Actual 1985-86	477,000
Requested increase (excluding amount for salary increases) \$28,000 (+4.4 percent)	
Total recommended reduction	None

1987-88 FUNDING BY ITEM AND SOURCE

Item—Description	Fund	Amount
3640-001-447—Support	Wildlife Restoration	\$589,000
Ch 855/86—Upper Sacramento River Land Inventory	California Environmental License Plate	75,000
Total		\$664,000

GENERAL PROGRAM STATEMENT

The Wildlife Conservation Board was created in 1947 to acquire 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

WILDLIFE CONSERVATION BOARD—Continued

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 personnel-years authorized in the current year.

ANALYSIS AND RECOMMENDATIONS*We recommend approval.*

The budget proposes expenditures of \$664,000 from the Wildlife Restoration Fund (\$589,000) and the Environmental License Plate Fund (\$75,000) to support the Wildlife Conservation Board during 1987-88. This is \$28,000, or 4.4 percent, more than estimated current-year expenditures. The increase in expenditures is entirely due to an increase in pro rata charges billed to the Wildlife Restoration Fund for its share of the state's central administrative services and indirect overhead costs. The Environmental License Plate funds were appropriated by Ch 885/86, and will be used to complete a special study required by that act. The budget does not propose any changes in staff or operations during 1987-88.

Our analysis indicates that the proposed budget is reasonable.

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 97

Requested 1987-88	\$15,942,000
Recommended change in funding source	1,000,000
No recommendation	14,942,000

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

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1. Capital Outlay Projects. We make no recommendation on a total of \$14,942,000 requested in Items 3640-301-447 and 3640-301-748 for various land acquisition, development, and minor capital outlay projects, because we have no basis on which to advise the Legislature whether these expenditures are warranted. 409
2. Ecological Reserve Acquisition. Reduce Item 3640-301-140 by \$1 million and increase Item 3640-301-447 by \$1 million. Recommend funding switch from the Environmental License Plate Fund (ELPF) to the Wildlife Restoration Fund (WRF) for ecological reserve acquisition, because sufficient funds are available in the WRF, and the ELPF can be used by the Legislature for a wider range of purposes. 410

OVERVIEW OF THE BUDGET REQUEST

The budget requests a total of \$15,942,000 for various capital outlay projects to be undertaken by the Wildlife Conservation Board (WCB). These funds consist of three separate appropriations as shown in Table 1.

Table 1
Wildlife Conservation Board
Proposed Appropriations for Capital Outlay
1987-88
(dollars in thousands)

<i>Item</i>	<i>Fund</i>	<i>Amount</i>
3640-301-140	California Environmental License Plate Fund	\$1,000
3640-301-447	Wildlife Restoration Fund	842
3640-301-748	Fish and Wildlife Habitat Enhancement (Bond) Fund	14,100
Total		\$15,942

The proposed uses of these funds, as reflected in the budget, is as follows:

- Unspecified land acquisition projects to provide ecological reserves (\$1 million from the Environmental License Plate Fund).
- Unspecified land acquisition projects (\$417,000), minor capital outlay projects (\$400,000), and project planning (\$25,000)—financed from the Wildlife Restoration Fund.
- Various unspecified acquisition, enhancement, and development projects benefiting marshlands and aquatic habitat (\$13 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 \$4.5 million available in the budget year from current- and prior-year appropriations. Consequently, the budget proposes total expenditures of \$20,442,000 for WCB capital outlay projects in 1987-88.

In addition, the budget indicates that the WCB has a total of \$25,279,000 available for capital outlay projects during the *current year*. This is \$9.8 million *more* than the largest amount spent by the board in any of the previous seven years. Nevertheless, the budget estimates that all of the funds will be spent in the current year. Our analysis indicates that in all probability a significant portion of the \$25.3 million also will be carried over into 1987-88 and remain available for expenditure by the board.

ANALYSIS AND RECOMMENDATIONS

Information on Capital Outlay Projects is Not Adequate

We make no recommendation on \$14,942,000 proposed for (1) land acquisition and development projects, (2) minor capital outlay projects, and (3) project planning, because the board has not provided information on the scope and cost of proposed projects.

The budget requests \$14,942,000 for various *unspecified* acquisition and development projects, minor capital outlay projects, and for project planning. This amount consists of \$14.1 million from the Fish and Wildlife Habitat Enhancement (Bond) Fund, and \$842,000 from the Wildlife Restoration Fund.

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,

WILDLIFE CONSERVATION BOARD—CAPITAL OUTLAY—Continued

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 tentative and subject to change. Nevertheless, it has been the Legislature's practice to grant the board this unusual degree of 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.

Ecological Reserve Acquisition

We recommend a funding switch of \$1 million from the acquisition of ecological reserves from the Environmental License Plate Fund (ELPF) to the Wildlife Restoration Fund (WRF), because the WRF has sufficient funds and the ELPF can be used by the Legislature for a wider range of purposes. (Eliminate Item 3640-301-140 and increase Item 3640-301-447 by \$1 million).

The budget requests \$1 million from the Environmental License Plate Fund (ELPF) for the acquisition of ecological reserves. The budget does not identify any specific projects that will be accomplished with these funds.

The Wildlife Conservation Board has its own alternative funding source for projects of this type. The Wildlife Restoration Fund (WRF) may be used for the acquisition or development of property to protect and preserve wildlife and to provide fishing, hunting, and recreational access facilities. The ELPF, on the other hand, can be used to finance a much broader range of activities than the WRF.

The WRF receives \$750,000 annually from horse racing revenues. In addition, the fund receives reimbursements for any board project that is eligible for grants from the federal Land and Water Conservation Fund (LWCF). The budget estimates that the WRF will have a reserve of \$1,918,000 at the end of 1987-88. This is equal to 134 percent of total proposed expenditures from the fund for 1987-88. In addition, we estimate that the WRF could receive \$140,000 more in the current year in LWCF reimbursements than is estimated in the budget. Therefore, the reserve in the WRF at the end of 1987-88 could be as much as \$2.1 million.

There is no analytical reason to maintain such a large reserve in this fund. Accordingly, in order to increase the Legislature's fiscal flexibility in achieving its budget priorities, we recommend a reduction of \$1 million from the ELPF and an increase of \$1 million from the WRF for the acquisition of ecological reserves. This will maintain a reserve in the WRF of at least \$918,000, or 65 percent of total proposed expenditures from this fund for 1987-88. This reserve would be more than adequate to provide for any contingencies, and to finance any increases in employee compensation for board staff that are authorized for the budget year.

Resources Agency
DEPARTMENT OF BOATING AND WATERWAYS

Item 3680 from the General
 Fund, and special funds

Budget p. R 99

Requested 1987-88	\$30,766,000
Estimated 1986-87	35,236,000
Actual 1985-86	33,938,000
Requested decrease (excluding amount for salary increases) \$4,470,000 (- 15 percent)	
Total recommended reduction	None
Recommendation pending	None

1987-88 FUNDING BY ITEM AND SOURCE

Item—Description	Fund	Amount
3680-001-001—Support	General	\$255,000
3680-001-516—Support	Harbors and Watercraft Re- volving	3,741,000
3680-001-890—Support	Federal Trust	(200,000)
3680-101-516—Local assistance, boating facilities and law enforcement	Harbors and Watercraft Re- volving	26,755,000
3680-101-890—Local assistance, boating facilities	Federal Trust	(500,000)
Reimbursements	—	15,000
Total		\$30,766,000

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

*Analysis
page*

1. Grants for Boating Enforcement and Safety. Recommend re-adoption of Budget Bill language setting forth criteria to be used by the department in distributing federal funds for local boating enforcement and safety programs.

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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 is authorized 57.4 personnel-years in the current year.

OVERVIEW OF THE BUDGET REQUEST

The budget proposes expenditures of \$30,766,000 from state funds, and reimbursements for the Department of Boating and Waterways (support and local assistance) in 1987-88. This is a decrease of \$4,470,000, or 15 percent, from comparable expenditures in the current-year. The

DEPARTMENT OF BOATING AND WATERWAYS—Continued

Table 1
Department of Boating and Waterways
Budget Summary
1985-86 through 1987-88
(dollars in thousands)

Program:	Personnel-Years			Expenditures			Percent Change From 1986-87
	Actual	Est.	Prop.	Actual	Est.	Prop.	
	1985-86	1986-87	1987-88	1985-86	1986-87	1987-88	
Boating facilities	19.5	20.5	20.5	\$23,756	\$26,552	\$25,782	-2.9
Boating operations	17.1	17.6	17.6	4,932	6,426	5,429	-15.5
Beach erosion control	3.0	3.0	3.0	5,651	3,928	258	-93.4
General management ^a	15.0	16.3	16.3	(682)	(870)	(854)	-1.8
Special Adjustment	—	—	—	—	—	-3	NMF ^b
Totals	54.6	57.4	57.4	\$34,339	\$36,906	\$31,466	-14.8%
Funding Sources							
General Fund				\$2,449	\$258	\$255	-1.5%
Harbors and Watercraft Revolving Fund				27,796	31,293	30,496	-2.5
Federal funds				401	5,340	700	-86.9
Section 8(g) Funds ^c				(—)	(3,670)	(—)	(-100)
Special Account for Capital Outlay				3,202	—	—	—
Environmental License Plate Fund				450	—	—	—
Reimbursements				41	15	15	—

^a Cost allocated among other programs.^b Not a meaningful figure.^c From the state's share of federal offshore oil revenues, included in Federal Funds total to reconcile with Governor's Budget display.

Table 2
Department of Boating and Waterways
Proposed 1987-88 Budget Changes
(dollars in thousands)

	General Fund	Harbors and Watercraft Revolving Fund	Federal Funds and Reimburse- ments	Total
1986-87 Expenditures (Revised)	\$258	\$31,293	\$5,355	\$36,906
A. Change in loan and grant programs				
1. Loans to public agencies for marina development	—	-6,740	—	-6,740
2. Loans to private recreational marinas	—	1,500	—	1,500
3. Grants to local governments:				
a. Boat launching facilities	—	4,366	—	4,366
b. Boating safety and law enforcement	—	—	-970	-970
c. Beach erosion projects	—	—	-3,670	-3,670
B. Miscellaneous increases and Special Adjust- ment	-3	77	—	74
1987-88 Expenditures (Proposed)	\$255	\$30,496	\$715	\$31,466
Change from 1986-87:				
Amount	-\$3	-\$797	-\$4,640	-\$5,440
Percent	-1.5%	-2.5%	-86.7%	-14.7%

proposed reduction is attributable primarily to a one-time expenditure in the current year of \$3.7 million from the state's share of federal offshore oil revenues (Section 8g funds) for beach erosion control projects. The budget does not include any funding for these projects for 1987-88.

Total expenditures, including federal funds, are proposed at \$31.5 million in 1987-88. This amount is \$5.4 million, or 15 percent, less than estimated current-year expenditures. This reduction is primarily due to (1) the \$3.6 million decrease for beach erosion control described above and (2) a decrease of \$970,000 in federal funds for boating safety and enforcement. In addition, the department's budget has been reduced by \$3,000, which is approximately 1 percent of the General Fund support, as a "Special Adjustment."

The expenditure tables that follow have not been adjusted to reflect any potential savings in 1986-87 which may be achieved in response to the Governor's December 22, 1986 directive to state agencies and departments to reduce General Fund expenditures.

Table 1 summarizes the staffing and expenditures for the department from 1985-86 through 1987-88. Table 2 shows the proposed budget changes, by funding source, for the department in 1987-88.

ANALYSIS AND RECOMMENDATIONS

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 \$3.7 million to fund grants for local boating safety and enforcement programs in 1987-88. This amount consists of \$3.2 million from the Harbors and Watercraft Revolving Fund (HWRF) and \$500,000 in federal funds from motorboat fuel taxes.

The Legislature added language in the 1985 and 1986 Budget Acts 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 and which lack adequate local boating revenues to meet those needs.

The 1987 Budget Bill does not contain the language adopted by the Legislature for the last two years. The language 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 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, \$500,000 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

DEPARTMENT OF BOATING AND WATERWAYS—Continued

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.”

Loan and Grant Programs**Loans for Public Marinas**

We recommend approval.

The budget requests \$12.5 million in 1987–88 from the Harbors and Watercraft Revolving Fund for loans to local governments to help finance the construction or improvement of public marinas. This is a decrease of \$6.7 million, or 35 percent, from estimated current-year expenditures. The reduction is due primarily to a shift in 1987–88 to funding boat launching facility grants described below. The requested amount consists of \$12.4 million for nine harbor development projects and \$100,000 for emergency statewide planning loans. Our review indicates that the individual projects and the amounts requested for them are justified.

Loans for Private Marinas

We recommend approval.

The budget requests \$2.5 million from the Harbors and Watercraft Revolving Fund to provide loans, under a program established in 1985, to private marina owners to develop, expand, or improve recreational marinas. This is an increase of \$1.5 million from estimated current-year expenditures.

Launching Facility Grants

We recommend approval.

The budget requests \$8.6 million in 1987–88 from the Harbors and Watercraft Revolving Fund for grants to local governments for construction of boat launching ramps, restrooms and parking areas. This amount is \$4.4 million, or 103 percent, above current-year expenditures. The requested amount consists of \$8.5 million for 32 specific grants, and \$150,000 for statewide floating restroom grants. Our review indicates that the individual projects and the amounts requested for them are justified.

DEPARTMENT OF BOATING AND WATERWAYS—CAPITAL OUTLAY

Item 3680-301 from the Harbors
and Watercraft Revolving
Fund

Budget p. R 106

Requested 1987-88	\$721,000
Recommended approval	721,000

ANALYSIS AND RECOMMENDATIONS

The budget requests \$721,000 from the Harbors and Watercraft Revolving Fund (HWRF) for capital outlay projects proposed by the Department of Boating and Waterways in 1987-88. The funds will be used to develop boating facilities in the state park system, at State Water Project Reservoirs, and at other state-owned land.

(1) Project Planning \$20,000

We recommend approval.

The budget requests \$20,000 for use in evaluating proposed projects and preparing budget estimates for 1987-88. The amount requested is reasonable.

(2) Minor Projects \$701,000

We recommend approval.

The department is requesting \$701,000 for minor capital outlay projects at the following areas:

Brannan Island State Recreation Area (\$50,000)

Folsom Lake State Recreation Area (\$60,000)

Gianelli Bridge River Access (\$200,000)

Millerton Lake State Recreation Area (\$78,000)

O'Neil Forebay, San Luis Reservoir (\$47,000)

Perris Lake (\$120,000)

Silverwood Lake (\$48,000)

Statewide buoys (\$23,000)

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 106

Requested 1987-88	\$6,717,000
Estimated 1986-87	6,713,000
Actual 1985-86	6,253,000
Requested increase (excluding amount for salary increases) \$4,000 (+0.6 percent)	
Total recommended reduction	\$61,000

1987-88 FUNDING BY ITEM AND SOURCE

Item—Description	Fund	Amount
3720-001-001—Support	General	\$6,272,000
3720-001-140—Support	Environmental License Plate	405,000
3720-001-890—Support	Federal Trust	(2,173,000)
3720-101-890—Local assistance	Federal Trust	(391,000)
Reimbursements	—	40,000
Total		\$6,717,000

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

*Analysis
page*

1. *Funding for Staff Costs. Reduce Item 3720-001-140 by \$61,000.* Recommend reduction of \$61,000 because the commission has not justified the need for these additional funds.

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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 review and approval of local coastal programs (LCPs) and the regulation of development in the 69 local jurisdictions within the coastal zone.

In addition, the Coastal Commission is the designated state coastal management agency and administers the federal Coastal Zone Management Act (CZMA) within California. Under the CZMA, California receives federal funding from the Office of Coastal Resource Management 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 elected local officials, and 3 nonvoting ex-officio members representing state agencies. The commission is authorized 117.7 personnel-years in the current year.

OVERVIEW OF THE BUDGET REQUEST

The budget proposes the expenditure of \$6,717,000 from state funds and reimbursements in 1987-88. This amount is virtually the same as estimated current-year expenditures, an increase of \$4,000. Proposed total expenditures in 1987-88 are \$9,281,000 including \$2,564,000 of federal CZMA funds. The commission expects to retain \$1.3 million, roughly 51 percent, of the CZMA money it will receive in 1987-88. The remaining \$1.3 million will be passed through to the following state agencies: the State Coastal Conservancy (\$400,000), San Francisco Bay Conservation and Development Commission (\$200,000) and the Department of Parks and Recreation, for the Tijuana River National Estuarine Sanctuary program (\$650,000).

The budget has been reduced by \$63,000, which is approximately 1 percent of the commission's General Fund support, as a "Special Adjustment." Table 1 shows expenditures and staff for the commission in the past, current, and budget years as well as funding sources. The table has not been adjusted to reflect any potential savings in 1986-87 which may be achieved in response to the Governor's December 22, 1986 directive to state agencies and departments to reduce General Fund expenditures.

Table 1
California Coastal Commission
Budget Summary
1985-86 through 1987-88
(dollars in thousands)

Program:	Personnel Years			Expenditures			Percent
	Actual	Est.	Prop.	Actual	Est.	Prop.	Change
	1985-86	1986-87	1987-88	1985-86	1986-87	1987-88	From 1986-87
Coastal Management Program	91.3	94.8	94.8	\$7,139	\$8,847	\$8,914	0.8%
Coastal Energy Program	6.0	6.0	6.0	846	390	390	—
Administration ^a	16.9	16.9	16.9	(805)	(943)	(949)	0.6
Undistributed administration..	—	—	—	40	40	40	—
Special Adjustment	—	—	—	—	—	-63	NMF ^b
Totals	114.2	117.7	117.7	\$8,025	\$9,277	\$9,281	0.4%
Funding Sources							
General Fund				\$5,884	\$6,329	\$6,272	-0.9%
Environmental License Plate Fund				329	344	405	17.7
Reimbursements				40	40	40	—
Federal Trust Fund				1,772	2,564	2,564	—

^a Costs distributed among other programs.

^b Not a meaningful figure.

ANALYSIS AND RECOMMENDATIONS

No Justification For Increases in Staff Costs

We recommend a reduction of \$61,000 requested from the Environmental License Plate Fund for the Coastal Access program and Coastal Resources Information Center because the commission has not justified the need for the increased staff costs (Reduce Item 3720-001-140 by \$61,000).

The commission's budget request requests \$405,000 from the Environmental License Plate Fund for its Coastal Access program and Coastal Resources Information Center. This is an increase of \$61,000 over estimated current-

CALIFORNIA COASTAL COMMISSION—Continued

year expenditures. The \$61,000 is for increased personal services costs in both the Coastal Access program (\$52,000) and Coastal Resources Information Center (\$9,000). The budget, however, proposes no new positions or temporary help in these two areas, and the commission has not provided any specific justification for this increase. As a result, we have no basis on which to recommend approval of the commission's requested increase. Accordingly, we recommend a reduction of \$61,000 from the Environmental License Plate Fund.

Resources Agency
STATE COASTAL CONSERVANCY

Item 3760 from the Coastal
Conservancy Fund and vari-
ous other funds

Budget p. R 112

Requested 1987-88	\$3,410,000
Estimated 1986-87	4,564,000
Actual 1985-86	17,084,000
Requested decrease (excluding amount for salary increases) \$1,154,000 (-25 percent)	
Total recommended reduction	None

1987-88 FUNDING BY ITEM AND SOURCE

Item—Description	Fund	Amount
3760-001-565—Support	State Coastal Conservancy (Bond)	\$618,000
3760-001-721—Support	Parklands Fund of 1984	800,000
3760-001-730—Support	1984 State Coastal Conservancy (Bond)	1,156,000
3760-001-748—Support	Fish and Wildlife Habitat Enhancement (Bond)	250,000
3760-101-140—Local Assistance	Environmental License Plate Fund	150,000
Reimbursements	—	436,000
Total		\$3,410,000

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.

In general, the projects must conform to California Coastal Act policies and be approved by the conservancy governing board. The conservancy's geographic jurisdiction coincides with the coastal zone boundaries estab-

lished for the California Coastal Commission. An exception is the San Francisco Bay and the Suisun Marsh areas where the conservancy has jurisdiction but the Coastal Commission does not. The conservancy may undertake a project outside of the coastal zone, at the request of a local government, provided the project benefits areas within the coastal zone.

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.

The conservancy is headquartered in Oakland and is authorized 41 personnel-years in the current year.

OVERVIEW OF THE BUDGET REQUEST

The budget proposes total expenditures of \$3,410,000 for support of the Coastal Conservancy and local assistance in 1987-88. This is a decrease of \$1,154,000, or 25 percent, from estimated total expenditures in the current year.

Proposed 1987-88 expenditures consist of \$2,824,000 from bond funds, \$150,000 from the Environmental License Plate Fund, and \$436,000 in reimbursements. The reimbursements include \$413,000 from 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.

Table 1
State Coastal Conservancy
Budget Summary
1985-86 through 1987-88
(dollars in thousands)

Program:	Personnel-Years			Expenditures			Percent Change From 1986-87
	Actual	Est.	Prop.	Actual ^a	Est.	Prop.	
	1985-86	1986-87	1987-88	1985-86	1986-87	1987-88	
Agricultural Land Preservation	0.9	0.9	0.9	\$153	\$174	\$161	-7.5%
Coastal Restoration	1.9	1.9	2.9	316	532	303	-43.0
Public Access.....	1.5	2.5	3.5	245	307	250	-18.6
Resource Enhancement	8.0	9.0	9.0	1,264	1,928	1,799	-6.7
Site Reservation	1.1	2.6	3.0	184	311	183	-41.2
Urban Waterfront Restoration	3.0	3.0	3.0	481	1,033	466	-54.9
Nonprofits	1.6	1.6	1.6	254	279	248	-11.1
Administration ^a	20.4	19.5	19.9	(1,163)	(1,266)	(1,200)	-5.2
Local Assistance from Bond Funds	—	—	—	12,797	—	—	—
Total	38.4	41.0	43.8	\$17,084	\$4,564	\$3,410	-25.3
Funding Sources							
<i>General Fund</i>				\$398	—	—	—
<i>Environmental License Plate Fund</i>				1,390	400	150	-62.5
<i>State Coastal Conservancy (Bond) Fund</i>				593	655	618	-5.6
<i>Parklands (Bond) Fund of 1980.....</i>				1,101	—	800	NMF ^b
<i>State Coastal Conservancy (Bond) Fund of 1984.....</i>				7,759	2,636	1,156	-56.1
<i>Fish and Wildlife Habitat Enhancement (Bond) Fund</i>				5,545	250	250	—
<i>Reimbursements</i>				298	623	436	-30.0

^a Costs distributed among other programs.

^b Not a meaningful figure.

STATE COASTAL CONSERVANCY—Continued

Table 1 provides a three-year summary of the conservancy's expenditures by program and funding source. Although the table shows that the 1987-88 budget would increase the conservancy's staff by 2.8 personnel-years, the budget does not propose any new staff. Instead, the increase shown in the number of personnel-years reflects (1) a reduction in the budgeted amount of salary savings in 1987-88 and (2) the budgeting of student interns as staff rather than as contract consultants.

The significant decrease in total expenditures from 1985-86 to the current year shown in Table 1 results from the way the budget displays expenditures from bond funds. The conservancy's bond fund appropriations for capital outlay also may be used for local assistance. The amounts shown in 1985-86 include \$12.8 million for local assistance from bond funds. In the current and budget years, all of the available funds (\$34.9 million in 1986-87 and \$21.3 million in 1987-88) are displayed in the budget under capital outlay and are not included in Table 1.

Table 2
State Coastal Conservancy
Proposed Budget Changes
1987-88
(dollars in thousands)

	<i>Bond Funds</i>	<i>Environ- mental License Plate Fund</i>	<i>Reim- burse- ments</i>	<i>Totals</i>
1986-87 Expenditures (revised)	\$3,541	\$400	\$623	\$4,564
Workload and Administrative Adjustments				
1. Pro rata adjustment	-369	—	—	-369
2. Deletion of one-time costs	-450 ^a	-400	-210	-1,060
3. Miscellaneous	20	—	23	43
Total Workload and Administrative Adjustments	-\$799	-\$400	-\$187	-\$1,386
Program Changes				
1. Salary savings rate reduction	\$54	—	—	\$54
2. Miscellaneous adjustments	28	—	—	28
3. Chula Vista Nature/Interpretive Center	—	150	—	150
Totals	\$82	\$150	—	\$232
1987-88 Expenditures (Proposed)	\$2,824	\$150	\$436	\$3,410
Change from 1986-87:				
Amount	-\$717	-\$250	-\$187	-\$1,154
Percent	-20.2%	-62.5%	-30.0%	-25.3%

^a One-time funds provided for fishing gear loans (Ch 910/86).

Proposed Budget Changes for 1987-88

Table 2 summarizes the conservancy's proposed budget changes, by funding source, for 1987-88.

ANALYSIS AND RECOMMENDATIONS*We recommend approval.*

The conservancy's budget proposal includes the following changes:

- An increase of \$150,000 from the Environmental License Plate Fund to finance a local assistance grant for the Chula Vista Nature/Inter-

- pretive Center.
- An increase of \$54,000 in bond funds to offset a reduction in the conservancy's salary savings rate.
 - An increase of \$28,000 from the State Coastal Conservancy (Bond) Fund of 1976 for various miscellaneous items, including approved salary upgrades and office automation equipment.

STATE COASTAL CONSERVANCY—CAPITAL OUTLAY

Item 3760-301 from various
funds

Budget p. R 117

Requested 1987-88	\$21,323,000
No recommendation	21,323,000

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

Analysis
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1. Inadequate Information. We make no recommendation on the total request of \$21,323,000 in Item 3760-301-730 and Item 3760-301-748 for unspecified capital outlay and local assistance projects because we have no basis on which to advise the Legislature whether these expenditures are warranted.

OVERVIEW OF THE BUDGET REQUEST

The State Coastal Conservancy's budget proposes appropriations totaling \$21,323,000 for capital outlay in 1987-88—\$10,323,000 from the State Coastal Conservancy (Bond) Fund of 1984 and \$11,000,000 from the 1984 Fish and Wildlife Habitat (Bond) Fund. Language in each of the capital outlay items, however, also allows these funds to be used for local assistance. Therefore, the money requested may be allocated for projects directly carried out by the conservancy or for grants to local agencies and nonprofit organizations.

Specifically, the requested amounts are for the following purposes:

State Coastal Conservancy Fund of 1984 (Item 3760-301-730)

(1) Agricultural Land Preservation.....	\$750,000
(2) Coastal Restoration.....	2,941,000
(3) Public Access	2,941,000
(4) Site Reservation.....	750,000
(5) Urban Waterfront Restoration.....	2,941,000
Subtotal	\$10,323,000

Fish and Wildlife Habitat Enhancement Fund (Item 3760-301-748)

(1) Resource Enhancement	\$10,000,000
(2) Site Reservation.....	1,000,000
Subtotal	\$11,000,000
Total	\$21,323,000

State Coastal Conservancy Fund of 1984. The California Park and Recreational Facilities (Bond) Act of 1984 (Ch 5/84) was approved by the

STATE COASTAL CONSERVANCY—CAPITAL OUTLAY—Continued

voters in June 1984 as Proposition 18. This measure created the State Coastal Conservancy Fund of 1984 and provided a total of \$50 million from the fund for appropriation to the conservancy. This amount consisted 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).

In addition to the \$10,323,000 for capital outlay (or local assistance) requested in Item 3760-301-730, the conservancy's support budget includes \$1,156,000 from this bond fund. Should the entire request be approved, a reserve of \$476,000 will remain in the fund for future use by the conservancy.

Fish and Wildlife Habitat Enhancement Fund. The Fish and Wildlife Habitat Enhancement (Bond) 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 for 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.

In addition to the \$11 million for capital outlay (or local assistance) requested in Item 3760-301-748, the conservancy's support budget includes \$250,000 from this bond fund. Should the entire budget request be approved, a reserve of \$3.5 million will remain in the fund for future use by the conservancy.

ANALYSIS AND RECOMMENDATIONS**Information Not Adequate**

We make no recommendation on proposed expenditures of \$21,323,000 for capital outlay and local assistance requested by the Coastal Conservancy because the conservancy has not provided adequate information on the scope and cost of the proposed projects.

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 seven program areas listed above, it has not identified the costs of individual projects.

In the absence of information on the specific projects to be funded, and their costs, we have no basis for making a recommendation to the Legislature on the conservancy's capital outlay request.

STATE COASTAL CONSERVANCY—REVERSION

Item 3760-495 to the Coastal
Conservancy Fund of 1976

Budget p. R 118

ANALYSIS AND RECOMMENDATIONS

We recommend approval of the proposed reversion.

The budget proposes to revert the unencumbered balance of the appropriation made by Item 3760-301-565 of the Budget Act of 1984. That item appropriated \$1,153,000 to the State Coastal Conservancy from the State Coastal Conservancy Fund of 1976 for local assistance grants and capital outlay projects. Under existing law, this appropriation will revert on June 30, 1987. The Department of Finance indicates that it included this reversion item in the Budget Bill to make the reversion explicit. The Governor's Budget anticipates reversion of \$496,000. The conservancy, however, indicates that the amount will be substantially less.

Resources Agency**DEPARTMENT OF PARKS AND RECREATION**

Item 3790 from the General
Fund and various funds

Budget p. R 119

Requested 1987-88	\$145,751,000
Estimated 1986-87	193,866,000
Actual 1985-86	193,412,000
Requested decrease (excluding amount for salary increases) \$48,115,000 (-25 percent)	
Total recommended reduction	1,821,000
Recommended funding shift	440,000

1987-88 FUNDING BY ITEM AND SOURCE

Item—Description	Fund	Amount
3790-001-001—Support	General	\$77,565,000
3790-001-263—Support	Off-Highway Vehicle	7,277,000
3790-001-392—Support	State Parks and Recreation	45,266,000
3790-001-394—Support	Fines and Forfeitures Account	328,000
3790-001-449—Support	Winter Recreation	60,000
3790-001-516—Support	Harbors and Watercraft Revolving	321,000
3790-001-890—Support	Federal Trust	(1,821,000)
3790-011-062—Revenue transfer for maintenance of park roads	Highway User Tax Account	(1,500,000)
3790-491-263 (12)—Reappropriation	Off-Highway Vehicle	440,000
Reimbursements	—	8,269,000
Total, Support		\$139,526,000
3790-101-140—Local assistance grants	Environmental License Plate	\$450,000

DEPARTMENT OF PARKS AND RECREATION—Continued

3790-101-263—Local assistance grants	Off-Highway Vehicle	5,091,000
3790-101-716—Local assistance grants	Community Parklands (1986 Bond)	200,000
3790-101-721—Local assistance grants	1980 Parklands (Bond)	125,000
3790-101-722—Local assistance grants	1984 Parklands (Bond)	299,000
3790-101-742—Local assistance grants	State, Urban, and Coastal Park (1976 Bond)	60,000
3790-101-890—Local assistance grants	Federal Trust	(3,000,000)
3790-491-263—Reappropriation	Off-Highway Vehicle	(3,275,000)
3790-496-263—Reversion	Off-Highway Vehicle	(1,342,000)
Total, Local Assistance		\$6,225,000
Total Request		\$145,751,000

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

	<i>Analysis page</i>
1. Park User Fees. Recommend that the department, prior to budget hearings, provide the Legislature with more realistic estimates of the revenues expected from park fees in both 1986-87 and 1987-88.	429
2. New Positions. <i>Reduce Item 3790-001-263 by \$419,000 and Item 3790-001-392 by \$134,000.</i> Recommend deletion of \$553,000 and 10.1 personnel-years because delays in project completions have postponed the need for certain positions.	432
3. Deferred Maintenance. <i>Reduce Item 3790-001-392 by \$1,198,000.</i> Recommend deletion of \$1,198,000 because of possible diversion of prior funding and inconsistencies in the request.	432
4. Classification Revision. Recommend adoption of Budget Bill language prohibiting the expenditure of \$240,000 for salary adjustments for park maintenance personnel until the Department of Personnel Administration approves the classification revision.	433
5. Contract Costs. <i>Reduce Item 3790-001-392 by \$70,000.</i> Recommend deletion of \$70,000 due to overbudgeting of two operations contracts.	434
6. Martin Ranch. <i>Increase Item 3790-001-263 by \$440,000 and Delete Schedule (12) of Item 3790-491-263.</i> Recommend adoption of Budget Bill language limiting the expenditure of funds for operation of Martin Ranch. Further recommend a technical funding shift of \$440,000 from reappropriation to a new appropriation.	435
7. Property Management Program. Recommend that the department report during budget hearings on when it will staff and develop the Burleigh Murray Ranch. Further recommend adoption of supplemental report language requiring the department to include two parcels at Sonoma Coast State Beach in the annual surplus property bill.	435
8. Concession Contracts. Recommend adoption of supplemental report language expressing approval of the department's four proposed concession agreements.	436
9. Sand and Sea Club. Recommend that the department report during budget hearings on the status of the concession proposal for the Sand and Sea Club property.	438

10. **Local Assistance Reappropriation. Delete Schedules (3) and (10) of Item 3790-491-263.** 439
Recommend a reduction of \$405,000 in the amount requested for reappropriation for local assistance because of a project cancellation and an invalid appropriation.

GENERAL PROGRAM STATEMENT

The Department of Parks and Recreation acquires, develops, preserves, interprets, and manages the natural, cultural, and recreational resources in the state park system and in 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 help provide parks and open-space areas throughout the state.

The state park system consists of 285 units, including 42 units administered by local and regional park agencies. These units contain approximately 1,377,000 acres of land with 290 miles of ocean and bay frontage and 676 miles of lake, reservoir, and river frontage. During 1987-88, more than 75 million visitations are anticipated at state parks and beaches operated by the department. In the same period, approximately 49 million visitations are anticipated at state parks and beaches operated by local and regional park agencies.

The SVRATS consists of approximately 102,660 acres in seven units. The department estimates that more than 1.4 million visitations to these units will occur during 1987-88.

In the current year, the department is authorized 2,788 personnel-years.

OVERVIEW OF THE BUDGET REQUEST

The budget proposes expenditures from state sources totaling \$145,751,000 for support and local assistance in 1987-88. This is a decrease of \$48,115,000, or 25 percent, from estimated current-year expenditures from state sources. When federal funds are included, proposed expenditures total \$150,572,000 in 1987-88. This is a decrease of \$49,388,000, also 25 percent, from estimated total expenditures in the current year. The dramatic decrease in expenditures is due primarily to an apparent reduction in local assistance grants, which is discussed in more detail later in this analysis. The department's budget has been reduced by \$783,000, which is approximately 1 percent of General Fund support, as a "Special Adjustment".

Program and Budget Change Summaries. The expenditure tables which follow have not been adjusted to reflect any potential savings in 1986-87 which may be achieved in response to the Governor's December 22, 1986 directive to state agencies and departments to reduce General Fund expenditures.

Table 1 identifies, by funding source, proposed budget changes for the department for 1987-88. As shown in Table 1, the budget proposes funding most of the department's significant workload adjustments and program changes from the State Parks and Recreation Fund (SPRF). These increased costs would be paid from revenues derived from a fee increase

Table 1
Department of Parks and Recreation
Proposed 1987-88 Budget Changes, by Fund
(dollars in thousands)

	<i>General Fund</i>	<i>Off-High- way Vehicle Fund</i>	<i>State Parks and Recreation Fund</i>	<i>Various Park Bond Funds</i>	<i>Various Other Funds^a</i>	<i>Reimburse- ments</i>	<i>Federal Trust Fund</i>	<i>Total</i>
1986-87 Expenditures (Revised)	\$79,003	\$23,392	\$38,633	\$43,017	\$1,606	\$8,215	\$6,094	\$199,960
Proposed Changes:								
1. Cost Adjustments								
A. One-time costs in 1986-87	-990	-275	—	—	-30	—	—	-1,295
B. Pro rata/SWCAP adjustments	—	13	—	—	—	—	-44	-31
C. Full-year costs of 1986-87 programs (14 PYs)	389	163	—	—	—	—	—	552
D. Miscellaneous adjustments	-54	-45	—	—	-100	-70	—	-269
2. Workload and Administrative Adjust- ments								
A. Staff and operating expenses for new facilities (38.7 PYs)	—	419	1,649	—	—	18	—	2,086
B. Auburn State Recreation Area (4 PYs)	—	—	—	—	—	—	188	188
C. Delegated testing (2 PYs)	—	—	55	—	—	—	—	55
D. Maintenance classification revision ..	—	35	505	—	—	—	—	540
E. Special adjustment	-783	—	—	—	—	—	—	-783
3. Program Changes								
A. Radio equipment conversion	—	—	302	—	—	—	—	302
B. Multi-district dispatch service	—	—	599	—	—	—	—	599
C. Equipment replacement	—	224	1,934	—	—	—	—	2,158
D. Deferred maintenance	—	—	1,198	—	—	—	—	1,198
E. Hearst tour bus contract	—	—	200	—	—	—	—	200

F. Capitol Museum contract	—	—	38	—	—	—	—	38
G. California Main Street Program (1 PY)	—	—	—	—	—	68	—	68
H. Seccombe Lake operating agreement	—	—	153	—	—	—	—	153
I. Sno-Park program	—	—	—	—	60	—	—	60
J. Basic training for cadets (9.8 PYs)	—	—	—	—	328	—	—	328
K. Use of court referrals at Asilomar (2 PYs)	—	—	—	—	—	38	—	38
L. Local assistance grants	—	-11,558	—	-42,233	-705	—	-1,417	-55,913
M. Local assistance grants administration	—	—	—	-100	—	—	—	-100
N. Reappropriation of support funds	—	440	—	—	—	—	—	440
1987-88 Expenditures (Proposed)	\$77,565	\$12,808	\$45,266	\$684	\$1,159	\$8,269	\$4,821	\$150,572
Change from 1986-87								
Amount	-\$1,438	-\$10,584	\$6,633	-\$42,333	-\$447	\$54	-\$1,273	-\$49,388
Percent	-1.8%	-45.2%	17.2%	-98.4%	-27.8%	0.7%	-20.9%	-24.7%

^aSpecial Account for Capital Outlay, Environmental License Plate Fund, Harbors and Watercraft Revolving Fund, Winter Recreation Fund, State Parks and Recreation Fund, Fines and Forfeitures Account.

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which the department plans to implement this spring. The proposed fee increase is discussed below.

Table 2 provides a summary of the department's expenditures, by program, for 1985-86 through 1987-88.

Table 2
Department of Parks and Recreation
Summary of Expenditures and Funding Sources
1985-86 through 1987-88
(dollars in thousands)

Program	Personnel-Years			Expenditures			Percent Change From 1986-87
	Actual 1985-86	Est. 1986-87	Prop. 1987-88	Actual 1985-86	Est. 1986-87	Prop. 1987-88	
Statewide planning	20.1	19.8	19.8	\$1,297	\$1,332	\$1,262	-5.3%
Acquisition	23.0	23.1	23.1	1,204	1,554	1,554	—
Property management	—	—	—	850	850	850	—
Facilities development	74.0	83.6	83.6	4,077	5,795	5,672	-2.1
Resources preservation and interpretation	103.8	83.7	83.8	4,955	5,138	5,133	-0.1
Historic preservation	20.3	20.7	20.7	4,275	5,039	1,133	-77.5
Park system operations	2,258.4	2,246.4	2,302.8	103,309	111,592	118,226	5.9
Off-highway vehicle support	95.8	110.8	122.7	5,695	6,743	7,717	14.4
Off-highway vehicle local as- sistance	—	—	—	5,322	16,649	5,091	-69.4
Grants administration (non- off-highway vehicle)	21.0	24.9	23.0	955	1,367	1,267	-7.3
Local assistance grants	—	—	—	69,605	43,901	3,450	-92.1
Departmental administra- tion (distributed)	185.9	175.4	177.4	(13,353)	(15,816)	(15,510)	-1.9
Special Adjustment	—	—	—	—	—	-783	NMF ^a
Totals	2,802.3	2,788.4	2,856.9	\$201,544	\$199,960	\$150,572	-24.7%
Funding Sources							
General Fund				\$75,014	\$79,003	\$77,565	-1.8%
State Parks and Recreation Fund				36,010	38,633	45,266	17.2
Fines and Forfeiture Account, State Parks and Recreation Fund				—	—	328	NMF ^a
Winter Recreation Fund				-80	110	60	-45.5
Environmental License Plate Fund				1,855	425	450	5.9
Resources Account, Energy and Resources Fund				-6	—	—	—
Off-Highway Vehicle Fund				11,017	23,392	12,808	-45.2
Special Account for Capital Outlay				2,200	750	—	NMF ^a
Bond funds				62,573	43,017	684	-98.4
Harbors and Watercraft Revolving Fund				313	321	321	—
Federal funds				8,132	6,094	4,821	-20.9
Reimbursements				4,516	8,215	8,269	0.7

^a Not a meaningful figure

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 \$1,934,000 from the State Parks and Recreation Fund (SPRF) and \$224,000 from the Off-Highway Vehicle (OHV) Fund for the replacement of worn-out equipment.
- An increase of \$302,000 from the SPRF for the third year of a five-year project to convert the department's radio system to provide more communication channels.
- An increase of \$599,000 from the SPRF for system design and equipment costs for a multi-district radio dispatch system to improve dispatch service to park rangers in the field.
- An increase of \$328,000 from the Fines and Forfeitures Account of the SPRF and 9.8 personnel-years (PYs) to provide back-up ranger and lifeguard services when regular staff are in training.
- An increase of \$188,000 in federal funds and 4 PYs for additional enforcement and administrative services at Auburn State Recreation Area.
- The addition of \$55,000 from the SPRF and 2 PYs for employee selection activities delegated to the department by the State Personnel Board.
- An increase of \$38,000 from the SPRF for salary and benefit increases for staff associated with the State Capitol Museum.
- Reimbursement increases of (1) \$68,000 and 1 PY for the California Main Street Program (Ch 1577/85), to help revitalize older central business districts in small towns, and (2) \$38,000 and 2 PYs to supervise 8,000 hours of free resource protection labor provided through the Monterey County Court Referral Program.
- An increase of \$60,000 from the Winter Recreation Fund to operate and maintain Sno-Park sites.

In addition to the changes shown in Table 2 and listed above, we recommend approval of the following requests:

- Reversions in Item 3790-496 totaling \$1,342,000 in unspent local assistance funds from seven completed Off-Highway Vehicle projects.
- All of the requested funds for local assistance grants totaling \$8,541,000 (from the OHV Fund, Environmental License Plate Fund, and federal funds).

STATE OPERATIONS

The 1987-88 budget requests \$141,347,000 from the General Fund (\$77,565,000), various state funds (\$53,692,000), federal funds (\$1,821,000) and reimbursements (\$8,269,000) for support activities of the Department of Parks and Recreation in 1987-88. This is an increase of \$6,625,000, or 4.9 percent, above estimated current-year support costs.

Proposed Increase of Park User Fees

We recommend that, prior to budget hearings, the department provide the Legislature with more realistic estimates of the revenues the department expects to receive from fees for camping, day use, and Hearst Castle tours in both the current and budget years.

Section 5010 of the Public Resources Code authorizes the department to collect fees for the use of any state park system area. The exact fees for different types of use are set at the department's discretion. Park fee

DEPARTMENT OF PARKS AND RECREATION—Continued

revenues are deposited in the State Parks and Recreation Fund (SPRF) where they are available upon appropriation for departmental purposes.

The department plans to increase most park system user fees on April 1, 1987. Table 3 summarizes the specific fee increases planned by the department. In general, day-use fees will increase by one or two dollars, and camping fees will increase by four dollars. In addition, the fee for Hearst Castle tours will increase by one dollar effective January 1, 1988.

Table 3
Department of Parks and Recreation
Proposed Fee Increases and Resulting Revenue

Activity	Current Fee	Proposed Increase	New Fee ^b	Estimated Revenue Change (dollars in thousands)	
				1986-87	1987-88
Camping (per campsite)					
Noncoastal developed campsites.....	\$6	\$4	\$10	\$1,000	\$4,000
Coastal developed campsites	8	4	12	500	2,000
Primitive campsites	3	3	6	34	135
Adjustment for senior citizen discount ^a	-2	—	-2	-81	-325
Day Use (per vehicle)					
Noncoastal parks	2	1	3	445	1,780
Coastal parks	3	1	4	318	1,270
Major reservoirs.....	2	2	4	437	1,746
Hearst Castle Tour (per person)	8	1	9	—	450
Total Estimated Revenue Increase				\$2,652	\$11,056

^a The department has provided for a \$2 discount on camping reservations for senior citizens beginning in 1986-87.

^b Camping and day-use fee increases effective April 1, 1987; Hearst Castle fee increase effective January 1, 1988.

Table 3 also shows that the department estimates total additional revenues from the fee increase of almost \$2.7 million in 1986-87 and \$11.1 million in 1987-88. The current-year revenue increase is one-fourth of the 1987-88 amount because the fee increase will be effective only during the last quarter of 1986-87. However, the anticipated increase in current-year revenue is not reflected in the SPRF fund condition statement presented in the budget.

Department General Fund Support Declines. According to the department, the increased park fees are warranted due to limitations on expenditures from the General Fund. Our review indicates that the percentage of department support which is derived from the General Fund has declined in recent years. In 1984-85, the General Fund provided about 64 percent of the department's support expenditures. Proposed General Fund support declines to 55 percent of total expenditures in the budget year. In fact, all of the approximately \$8 million in proposed budget changes are funded from sources other than the General Fund, including \$6.6 million from the SPRF and \$678,000 from the Off-Highway Vehicle Fund.

Department Revenue Estimates are Unreliable. The methodology used by the department for calculating both the base estimate for fee

revenues and additional revenues generated from the fee increases is not adequately developed. The department's estimate of base revenues (without the fee increases) is \$31.9 million in both the current and budget years. This base amount is 17 percent more than actual 1985-86 revenues. The increase in base revenues is merely the department's guess of additional fees from the opening of new facilities and increased visitation at Hearst Castle.

In order to estimate the additional revenues for the current and budget years from the fee increases, the department used actual 1985-86 revenues aggregated by activity (such as camping) to *estimate* the number of user days for each fee category (such as coastal camping and primitive camping) in 1985-86. The department then multiplied *estimated* 1985-86 user days by the respective fee increases to determine increased revenues.

The department's methods result in *total* estimated revenue of \$34.1 million in 1986-87 and \$43 million in 1987-88. Past experience, however, indicates that the department's methodology results in revenue estimates which are not reliable. The department's revenue estimates for fee activities over the last five years have ranged from \$2,360,000, or 9.4 percent, above the actual revenues collected to \$2,370,000, or 9.2 percent, below actual revenues.

In particular, the department's calculations do not (1) consider fully potential growth in demand from 1985-86, or (2) account for potential decline in usage due to the fee increases.

The department's current-year revenue estimates are already showing signs of inaccuracy. Actual revenues from camping, day-use, and Hearst Castle tours for the first two months of 1986-87 are 7.8 percent *below* the comparable period of 1985-86 rather than 17 percent *above* as anticipated by the department. The department indicates that lags in accounting may contribute to this discrepancy.

Unreliable revenue estimates could result in problems for the department and the General Fund because the SPRF has an estimated reserve of only \$2,176,000 at the end of the budget year. A portion of these funds, approximately \$500,000, must be set aside for salary and benefit increases proposed for the budget year. Moreover, we estimate that for every 1 percent decrease in estimated park system use, the department's estimated revenue will fall by \$338,000. This does not leave a substantial margin for error in the department's estimates, especially if current-year revenue is headed down rather than up. A deficiency in the SPRF could place additional pressure on the General Fund to pay for department support activities.

Better Information Available. The department does collect information which would allow more realistic revenue estimates. The department's Visitor Attendance Report summarizes *visitor attendance* by park unit according to specific type of park use. The Report on Collections provides *revenues* by park unit by different fee activity. The department could use these reports to compile and summarize the information on each fee activity in order to (1) develop historical data on usage and revenue, (2) project usage and revenue in the current and budget years, and (3) estimate potential declines in demand from the fee increases based on the changes in use the last time fees were increased. Thus, we believe the department could calculate more realistic revenue estimates for both the current and budget years.

Accordingly, we recommend that, prior to budget hearings, the department provide the Legislature with more realistic estimates of total reve-

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nues from camping, day use, and Hearst Castle tours for both the current and budget years which are based on detailed historical information. The estimates specifically should account for the potential decline in camping, day use, and Hearst Castle tours due to the fee increases.

Delays in Projects Postpone the Need for New Staff

We recommend reductions totaling \$553,000 from the State Park and Recreation Fund and the Off-Highway Vehicle Fund and the deletion of 10.1 personnel-years of new staff because delays in the completion of certain development projects have postponed the need for these funds and positions. (Reduce Item 3790-001-263 by \$419,000 and Item 3790-001-392 by \$134,000).

The budget requests an additional \$2,086,000 from the State Parks and Recreation Fund (SPRF) (\$1,649,000), the Off-Highway Vehicle (OHV) Fund (\$419,000), and reimbursements (\$18,000), and 38.7 personnel-years in 1987-88 to (1) operate new day-use, camping and support facilities, and (2) patrol and maintain new acquisitions. The ongoing cost of staffing these properties will be approximately \$1.9 million and 40.8 personnel-years. The ongoing costs are less because the request for 1987-88 includes one-time equipment expenditures. Ongoing personnel-years increase because some of the new positions will be phased in during the budget year.

Our review indicates that the department is requesting staff and operating funds for new facilities at five park units where delays in the development of the new facilities will postpone the need for those positions. Accordingly, we recommend reductions totaling \$553,000 and 10.1 personnel-years for the units detailed below.

Año Nuevo State Reserve. The budget requests \$122,000 from the SPRF and 2.2 personnel-years to operate a new visitor center, beginning in January 1988. According to the department, however, the new visitor center will not be completed in the budget year. Accordingly, we recommend deletion of both the \$122,000 and 2.2 personnel-years.

San Simeon State Beach. We recommend a reduction of 0.8 personnel-years and \$12,000 to operate and maintain the new campground. This recommendation would provide sufficient funds for personnel and operating expenses, beginning in January 1988, when the campground is now expected to open.

Various State Vehicular Recreation Areas. The budget requests a total of \$419,000 from the OHV Fund and 7.1 personnel-years to operate new facilities at the following state vehicular recreation areas: (1) Ocotillo Wells (\$182,000 and 3.3 PYs), (2) Hungry Valley (\$109,000 and 2.5 PYs), and (3) Hollister Hills (\$128,000 and 1.3 PYs). The department, however, no longer anticipates the completion of these new facilities in the budget year. Accordingly, we recommend deletion of the \$419,000 and 7.1 personnel-years.

Deferred Maintenance or Diverted Funding?

We recommend a reduction of \$1,198,000 requested from the State Parks and Recreation Fund for deferred maintenance/special repairs because the department appears to have diverted funds provided for this purpose in the past and because of inconsistencies in the request. (Reduce Item 3790-001-392 by \$1,198,000).

The budget requests a total of \$3,283,000 for the department's deferred

maintenance/special repairs program in 1987-88. The department estimates that it will spend \$2,085,000 for this program in the current year and proposes to augment this amount by \$1,198,000 (57 percent) for the budget year. According to the department, the increase is necessary to reduce a backlog of over 800 deferred maintenance and special repair projects estimated to cost more than \$8.5 million.

Prior Funds Diverted. The Legislature has provided the department with large increases in funding for several years in an effort to reduce the backlog of deferred maintenance and special repair projects. Comparisons of proposed and actual expenditures, however, reveal that the department has not used a significant portion of the additional funding for maintenance and repair projects. The department received \$1,785,000 for deferred maintenance and special repairs in 1984-85, but actually spent only \$1,017,000. Likewise, in 1985-86, \$3,255,000 was appropriated, but the department actually spent only \$1,047,000 for such projects. Thus, over a two-year period, a total of \$2,976,000 which was appropriated for deferred maintenance and special repairs was not used for that purpose. The department could not identify where the funds were diverted. At the same time project funds apparently were being diverted to other purposes, the department continued to raise concerns in its budget requests about its growing backlog of deferred maintenance and special repair projects.

Supporting Documents Inconsistent with the Budget. In support of its budget request, the department submitted a report on its deferred maintenance/special repairs program. The report includes a plan for addressing the department's backlog, and identifies past expenditures for the program. However, the expenditure information in the report does not agree with the expenditures listed in the proposed or prior year budgets. The department has not been able to reconcile these discrepancies.

Recommendation. While we believe the department does have a project backlog, we have no reliable basis for judging the magnitude of the problem, what has been accomplished in past years or whether the department will use the money as proposed. Consequently, we have no basis to recommend approval of the requested augmentation of \$1,198,000 for deferred maintenance and special repairs. We therefore recommend that Item 3790-001-392 be reduced by \$1,198,000 to continue special repairs and maintenance funding at its current-year level (\$2.1 million).

Park Maintenance Classification Revision

We recommend the adoption of Budget Bill language which prohibits the expenditure of \$225,000 from the State Parks and Recreation Fund and \$15,000 from the Off-Highway Vehicle Fund for salary adjustments for park maintenance personnel until the Department of Personnel Administration approves the proposed classification revision.

The budget requests a total of \$240,000 from the State Parks and Recreation Fund (\$225,000) and the Off-Highway Vehicle Fund (\$15,000) for park maintenance personnel salary increases associated with a proposed classification revision. The department indicates that it is seeking the reclassification due to the increased difficulty of tasks performed by these personnel.

The Department of Personnel Administration (DPA) is required to approve the proposed new classification revisions before they become effective. The DPA indicates that it does not know when it will take action on the department's proposal. However, two similar proposals have been

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rejected by DPA in the past. Accordingly we recommend that the Legislature adopt the following Budget Bill language under Item 3790-001-001 to make the \$240,000 available only if DPA approves the revision:

“Of the amount appropriated by this item, \$240,000 (\$225,000 transferred from Item 3790-001-392 and \$15,000 transferred from Item 3790-001-263) is for salary and benefit increases for park maintenance personnel and shall not be encumbered or spent until the Department of Personnel Administration approves the department’s proposed personnel classification revision.”

Contract Costs Overbudgeted

We recommend reductions totaling \$70,000 from the State Parks and Recreation Fund because the department has overbudgeted the amounts needed for two operations contracts. (Reduce Item 3790-001-392 by \$70,000.)

The department is party to various contracts to provide services at units of the state park system. In two cases, the department has overbudgeted the amounts needed for its payments under the contracts.

Seccombe Lake Operating Agreement. Reduce by \$34,000. The budget requests \$153,000 from the State Parks and Recreation Fund (SPRF) for the state’s share of operation and maintenance costs at Seccombe Lake State Urban Recreation Area in the City of San Bernardino. Chapter 1488, Statutes of 1986, required the city and the state to enter into a five-year operating agreement for the recreation area. The legislation also provided that (1) the state’s share of operation and maintenance costs shall decrease by 10 percent annually during the term of the agreement, and (2) the city will have full ownership and responsibility for the area at the end of five years.

The park is operating for only a half year in 1986–87. Total half-year operation and maintenance costs at the recreation area are estimated at \$137,000. The department indicates that its share of the half-year costs is \$66,000. Thus, the state’s equivalent full-year share would be \$132,000 in 1986–87.

Based on the provisions of Chapter 1488, the state’s share of operating costs for 1987–88 should decrease by 10 percent, or \$13,000, from the current full-year share. Thus, the total state share should be \$119,000 in the budget year. Accordingly, we recommend that Item 3790-001-392 be reduced by \$34,000 in order to delete overbudgeted funds for the operation of Seccombe Lake.

Hearst Tour Bus Contract. Reduce by \$36,000. The department requests \$200,000 from the SPRF in 1987–88 to pay increased costs for bus service at Hearst San Simeon State Historic Monument. The buses transport Hearst Castle visitors from the visitor center to the castle.

In the current year, the department budgeted \$734,000 for bus contract expenses. The department estimates, however, that it will need \$200,000 more in the budget year consisting of \$66,000 for increased visitation, and \$134,000 to pay the cumulative cost of inflation adjustments required by the contract.

The additional contract expenses from increased visitation appear reasonable. However, our review indicates that the estimated inflation adjustment is too high. Using the methods and Consumer Price Index specified in the contract, we estimate that the required inflation adjustment will be

only \$98,000, or \$36,000 less than the \$134,000 requested for inflation adjustments. Accordingly, we recommend a reduction of \$36,000 in Item 3790-001-392.

Martin Ranch Acquisition Delayed

We recommend the adoption of Budget Bill language limiting the expenditure of funds for operation of Martin Ranch. We further recommend a technical adjustment to conform with normal budget practice. (Delete Schedule (12) of Item 3790-491-263 and increase Item 3790-001-263 by \$440,000.)

The budget requests a total of \$915,000 from the Off-Highway Vehicle (OHV) Fund for the Martin Ranch Off-Highway Vehicle project. This amount consists of \$475,000 in new appropriations for full-year operating costs, and a reappropriation of \$440,000 from the 1986 Budget Act for equipment.

The 1985 Budget Act appropriated funds for the acquisition of Martin Ranch. In 1986-87, the department received \$679,000 for the first year of operations at the ranch. However, the property has not yet been acquired due to various environmental problems at the site. The department expects additional delays in the acquisition and cannot estimate a final acquisition date.

The total amount the department is requesting for equipment and operation costs at Martin Ranch in 1987-88 is reasonable if the property is acquired in the current year. However, given the problems and concerns with the property, it is questionable whether the department will complete acquisition by July 1987. If the property is not acquired by the beginning of the budget year, the department will not need the full amount requested. Last year, under similar circumstances, the Legislature adopted Budget Bill language making the expenditure of funds for the operation of Martin Ranch contingent on the acquisition of the property by the department. We recommend the adoption of similar Budget Bill language for 1987-88. We further recommend that Schedule (12) of Item 3790-491-263 (the reappropriation) be deleted and that Item 3790-001-263 be increased by an equal amount (\$440,000), in order to consolidate funding for this purpose and conform with standard budget practice for support appropriations. Our recommended Budget Bill language (for Item 3790-001-001) is as follows:

"Of the amount appropriated by this item, \$915,000, as transferred from Item 3790-001-263, shall be available for operation of the Martin Ranch Off-Highway Vehicle project, but none of these funds shall be available for expenditure until the Martin Ranch property is acquired. \$475,000 of this amount shall be available for allocation 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."

Progress on Property Management Program

We recommend that the department report during budget hearings on when it intends to staff and develop the Burleigh Murray Ranch. We further recommend that the Legislature adopt supplemental report language requiring the department to include two parcels of land at Sonoma Coast State Beach in the annual surplus property bill.

The Department of General Services (DGS) acquires and initially manages the property for the state park system. Current law mandates that the

DEPARTMENT OF PARKS AND RECREATION—Continued

DGS transfer park property to the Department of Parks and Recreation (DPR) in a timely manner and requires DPR to request sufficient funds in its budget to operate and maintain the transferred properties. The Legislature has expressed concern in recent years about delays in making park property available to the public.

No Plans for Burleigh Murray Ranch. The Burleigh Murray Ranch consists of 1,121 acres located near Half Moon Bay in San Mateo County. The state received the property in 1979, and DGS transferred it to the department in 1983. Although the department indicates that the unit is open to the public, access is limited to one unmarked dirt road and service is nonexistent. Further, the department's preliminary multi-year capital outlay program does not include any plans for development at this unit, and the budget does not request any staff for the unit in the budget year.

We believe that the department has had ample time to plan for public use of this unit in accordance with the Legislature's expressed intent to make all properties usable as quickly as possible. Accordingly, we recommend that the department advise the Legislature during budget hearings on when it intends to staff and develop this unit or whether these lands are surplus and should be sold.

Agricultural Parcels at Sonoma Coast. Sonoma Coast State Beach consists of a total of 4,966 acres of coastal and inland property. Only a portion of the unit, primarily the beach itself, is open to the public. According to the department, approximately 1,112 acres (two parcels) of inland property adjacent to the beach will remain subject to agricultural leases "indefinitely." The department contends that it is in the best interest of the state to preserve these parcels as open space to act as buffer areas, thereby maintaining the natural character of the park.

We agree that the property should be maintained as open space. However, the department's primary mission is providing for public recreation rather than leasing agricultural land. The resources the department uses to lease and manage this land reduces the time and effort it can spend on its primary mission. There are other alternatives for maintaining the property as open space without direct ownership and management of the land by the state. For example, the state could sell the land subject to an agricultural easement. This currently is done by other state agencies, such as the Coastal Conservancy. Accordingly, we recommend that the Legislature adopt the following supplemental report language under Item 3790-001-001 directing the department to include the two parcels in the annual surplus property bill for consideration by the Legislature:

"It is the intent of the Legislature that the Department of Parks and Recreation include the two parcels at Sonoma Coast State Beach which are subject to agricultural leases (Parcels #4071 and #2425) in the 1988 surplus property bill. The department may propose to sell these parcels subject to agricultural easements that ensure access to the park and maintenance of the park's natural character."

State Park Concession Contracts

We recommend that the Legislature adopt supplemental report language expressing approval of the department's four proposed concession agreements.

The Public Resources Code generally authorizes the department to contract for the operation of concessions within the park system. The

department is required to prepare an annual report on its concession operations. Table 4 summarizes the findings of the department's draft 1985-86 annual concessions report.

Table 4
Department of Parks and Recreation
Summary of Concession Operations
1984-85 and 1985-86
(dollars in thousands)

	1984-85	1985-86	Change from 1984-85	
			Amount	Percent
Number of concession contracts	135	141	6	4.4%
Gross sales	\$34,911	\$39,099	\$4,188	12.0
Revenue to the state	\$3,149	\$3,882	\$733	23.3

As shown in the table, revenues to the state increased by \$733,000, or 23 percent, from 1984-85 to 1985-86. The following two concessions accounted for 45 percent of the rental revenues to the state in 1985-86: 1) Bazaar Del Mundo in Old Town San Diego State Historic Park (\$639,000), and (2) ARA Food Service at Hearst San Simeon State Historic Monument (\$1.1 million).

New Concession Proposals. 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. Traditionally, the Legislature expresses its approval by adopting supplemental report language describing each approved concession. The following concession proposals for 1987-88 have been submitted to the Legislature for approval:

1. **Candlestick Point State Recreation Area—Restaurant.** The department proposes to bid a 20-year concession contract for the construction, operation, and maintenance of a restaurant at Candlestick Point State Recreation Area. The proposal is consistent with the approved general plan for the park. The department estimates that the new concession will require an initial investment of \$1 million and could provide rent revenues of \$80,000 annually to the state (based on estimated gross sales of \$1 million and a rental rate of 8 percent of gross sales). Also, the department indicates that the contract will include a provision requiring periodic renegotiations of the rental rate.

2. **Huntington State Beach—Refreshment Stand.** The department proposes to bid a new five-year concession contract for the existing beach refreshment stand at Huntington State Beach. The department proposes a minimum acceptable rent of 15 percent of gross sales. Based on estimated gross sales of \$381,000, the minimum annual rental to the state would be \$57,000.

3. **Lake Country Estates—Golf Course Complex.** The department proposes a one-year extension of the existing lease for the operation and maintenance of the Lake Country Estates golf course complex at Lake Tahoe. The base annual rent for the lease will be \$100,000, with additional rent being calculated as a percentage of sales. The department indicates that the one-year extension is necessary because the department will not bid a new long-term lease until the general plan for the area is adopted. Public hearings on the plan are scheduled for July 1988.

4. **Old Town San Diego State Historic Park—Mexican Restaurant.**

DEPARTMENT OF PARKS AND RECREATION—Continued

The department proposes to bid a new five-year concession contract for the existing Mexican restaurant in Old Town San Diego State Historic Park. The department proposes a minimum acceptable bid of 5 percent of gross sales, which are estimated at \$300,000 annually. Consequently, estimated minimum annual rental is \$15,000.

Our review indicates that the department's concession proposals are reasonable and that the rental terms are appropriate. Accordingly, we recommend the adoption of supplemental report language expressing approval of the department's 1987-88 concession proposals.

Santa Monica State Beach—Sand and Sea Club

We recommend that the department report during budget hearings on the status of the concession proposal for the Sand and Sea Club property.

The Sand and Sea Club operates as a concession at Santa Monica State Beach. The facility is used as a private club and is leased from the City of Santa Monica, which operates the beach for the department. The club is located on a three-acre parcel which was purchased by the state for \$1.1 million in 1958. The current fair market value, however, is estimated to be in excess of \$20 million based on an appraisal done by the Department of General Services in 1982.

The club's concession agreement with the city expired in 1981. Since that time, the club has leased the site on a month-to-month basis while the city has drafted requests for proposals (RFPs) for a new concession operation. None of the city's RFPs, however, have been acceptable to the California State Park and Recreation Commission. (The department submits concession proposals to the commission to assure compliance with park general plans.) The commission indicates that, among other things, the rejected RFPs did not provide enough public access.

The Legislature also has been concerned with the lack of public access to this valuable state-owned property. Most recently, the Legislature directed the department in the *Supplemental Report of the 1986 Budget Act* to prepare a report, in cooperation with the City of Santa Monica, on (1) methods for maximizing access by the general public to recreational opportunities at the beach, and (2) various alternative uses that would be available to all of the general public. This report was due to the Legislature on October 1, 1986. The department submitted its report to the Legislature in January 1987. The report indicates that the department currently is analyzing a new RFP prepared by the city which, if approved by the commission, will be submitted to the Legislature for review during 1987 budget hearings. The department, however, fails to address the specific points raised in the supplemental report.

Given the long delay in making this extremely valuable property available to the public, we recommend that the department report to the Legislature during budget hearings on the status of the city's new proposal and how it addresses the concerns expressed by the Legislature. If the city's latest proposal is not acceptable to the commission or the department, the department should explain why it is not and identify the state's options to make the property available to the public.

LOCAL ASSISTANCE

The department requests appropriations totaling \$9,225,000 for local assistance grants (and project review by the department) in 1987-88. The proposed amount represents a decrease of \$56,013,000, or 86 percent, from estimated current-year expenditures for local assistance.

Drop in Local Assistance More Apparent Than Real. The 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 by June 30, 1987. Historically, this has not happened. Typically, more than 20 percent of the available grant funds have been reappropriated or carried over from one year to the next. Consequently, a large balance of funds shown in the budget as current-year expenditures probably will be available for expenditure in the budget year. For example, the Budget Bill includes the reappropriation of 11 off-highway vehicle grants with balances totaling more than \$3 million, while the budget document shows these funds as fully spent in the current year. The administration also will request additional reappropriations in a budget amendment letter, which will shift additional expenditures from the current year to the budget year.

Second, the budget understates local assistance expenditures in 1987-88 because it does not reflect funds for various programs authorized and financed by (1) the 1986 Community Parklands Bond Act, where almost \$100 million is available, (2) the 1984 Park Bond Act, where \$25 million specifically is authorized for appropriation in 1987-88, or (3) 1980 Park Bond Act. Current-year estimates do include appropriations from most of these sources. According to the Department of Finance, the administration will request bond funds for local assistance grants in a budget amendment letter.

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.

OHV Local Assistance Reappropriations

We recommend deletion of two local assistance reappropriations totaling \$405,000 because one project has been cancelled and one appropriation is no longer valid. (Delete Schedules (3) and (10) of Item 3790-491-263.)

The Budget Bill proposes to reappropriate unencumbered balances totaling \$3,275,000 from previous Budget Act appropriations for equipment and local assistance grants for various Off-Highway Vehicle projects.

Our discussions with the department indicate, however, that \$3,000 included in Schedule (10)—Klamath National Forest—will not be needed due to a project cancellation. Further a reappropriation of \$402,000 requested in Schedule (3)—Angeles National Forest—is no longer available, because these funds were reverted at the beginning of the current year when the original expenditure authority expired.

Accordingly, we recommend that Schedules (3) and (10) of Item 3790-491-263 be deleted.

DEPARTMENT OF PARKS AND RECREATION—CAPITAL OUTLAY

Item 3790-301 from the Park-
lands (Bond) Fund of 1984
and various funds

Budget p. R 139

Requested 1987-88	\$49,944,000
Recommended approval	28,747,000
Recommended reduction	6,965,000
Recommended augmentation	30,000
Net recommended approval	28,777,000
Recommendation pending	14,232,000

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

Analysis
page

1. Supplemental Language. Recommend adoption of supplemental report language that describes the scope of each project approved in this item. 443
2. *Technical Adjustments. Reduce various items by a net total of \$65,000.* Recommend technical adjustments to various projects to reflect more recent cost estimates. 444

Off-Highway Vehicle Fund

3. (1) *Hollister Hills SVRA—Acquisition. Reduce Item 3790-301-263(1) by \$46,000.* Recommend a reduction to delete funding for one parcel which would not make a useful addition to the park at this time. 445

State Parks and Recreation Fund

4. (1) *Minor Projects. Reduce Item 3790-301-392(1) by \$311,000.* Recommend reduction to eliminate funds for three projects which are not justified. 446

Parklands (Bond) Fund of 1984

5. (1) Accessibility Expansion Program—Minor Projects. Withhold recommendation pending receipt and review of the department's plan for addressing systemwide needs, and identification of specific projects proposed for the budget year. 447
6. (2) *Angel Island SP—Tiburon Land Base Improvements, Construction. Reduce Item 3790-301-722(2) by \$500,000.* Recommend deletion because the department's proposal (1) is an inappropriate use of capital outlay funds, and (2) does not compare alternative means of providing the facilities. 447
7. (3) Bidwell Mansion SHP—Visitor Center, Working drawings and construction. Withhold recommendation pending receipt of an estimate and plans based on the revised project scope. Further recommend that the department identify the amount and purpose of any non-state funds which will be available for the project. 448
8. (5) *Big Basin Redwood SP—Rehabilitate Sewer Plant, Studies. Reduce Item 3790-301-722(5) by \$150,000.* Recommend deletion of funds for studies, because the de- 448

- partment already has determined the scope of necessary work.
9. (6) Big Basin Redwoods SP—Acquisition. Withhold recommendation pending receipt and review of the property appraisal. 449
 10. (7) *Brannan Island SRA—Building Construction at Group Camp Area. Reduce Item 3790-301-722(7) by \$29,000.* Recommend that the department accomplish project through its minor capital outlay program, for a savings of \$29,000. 449
 11. (9) *China Camp SP—Sewer, Working Drawings and Construction. Reduce Item 3790-301-722(9) by \$147,000.* Recommend a reduction in order to reflect the previously approved project cost, as adjusted for inflation. 450
 12. (10) Chino Hills SP—Initial Development of Facilities, Working Drawings. Withhold recommendation pending completion of estimates and plans by OSA. 450
 13. (11) *Dockweiler SB—Rehabilitation of Existing Facilities, Construction. Reduce Item 3790-301-722(11) by \$322,000.* Recommend deletion because the proposed work is not a state responsibility under the terms of an existing operating agreement. 451
 14. (12) Folsom Lake SRA—New York Campground, Working Drawings. Withhold recommendation pending receipt and review of the department's revised proposal. 451
 15. (13) Folsom Lake SRA—Powerhouse Rehabilitation, Construction. Recommend that the Budget Bill be amended to allow the department to accomplish project through its minor capital outlay program. 451
 16. (15) Malibu Lagoon SB—Adamson House and Archeological Research, Working Drawings and Construction. Withhold recommendation pending receipt and review of revised project proposal and estimates. 452
 17. (16) *Mendocino Woodlands Outdoor Center—Construction. Reduce Item 3790-301-722(16) by \$383,000.* Recommend reduction because the work can be accomplished at a lower cost by the department directly. 452
 18. (17) Mount Diablo SP—Working Drawings and Construction. Withhold recommendation pending receipt and review of the revised cost estimate. 453
 19. (18) *Old Sacramento SHP—Walnut Grove Excursion Line, Acquisition. Reduce Item 3790-301-722(18) by \$525,000.* Recommend reduction to reflect the state's completed appraisal of the property. Further recommend the adoption of Budget Bill language prohibiting the purchase of the property until the department has signed an agreement for the use of another portion of the branch line. 453
 20. (21) Point Sur Light Station—Working Drawings and Construction. Withhold recommendation pending receipt and review of the department's revised proposal. 454
 21. (23) *Pyramid Lake SRA—Liebre Peninsula/Vista del Lago, Phase I development. Reduce Item 3790-301-722(23) by \$3,000,000.* Recommend deletion because the scope of work and associated costs are not defined adequately. 454

DEPARTMENT OF PARKS AND RECREATION—CAPITAL OUTLAY—Continued

22. (24) Rehabilitation and Replacement of Worn Out Facilities, Construction. Recommend as follows: 455
 - (d) Millerton Lake SRA. Withhold recommendation pending receipt and review of the department's revised proposal.
 - (e) Silver Strand SB. Withhold recommendation pending receipt and review of the department's revised proposal.
23. (26) *San Diego Coast State Beaches, South Cardiff SB—Working Drawings and Construction. Reduce Item 3790-301-722(26) by \$274,000.* Recommend a reduction to reflect the previously approved project cost, as adjusted for inflation and new items of work. 455
24. (27) San Luis Reservoir SRA—Continuing Recreation Development, Phase II, Working Drawings and Construction. Withhold recommendation pending receipt and review of the department's revised proposal. 456
25. (29) South Carlsbad SB—Administration, Maintenance Center and Day-Use Facilities, Construction. Withhold recommendation pending receipt and review of the department's revised proposal. 456
26. (30) *Stanford House SHP—Historic Preservation, Construction. Reduce Item 3790-301-722(30) by \$500,000.* Recommend deletion because the request is premature given the status of previously funded work. 456
27. (34) Tijuana River National Estuarine Sanctuary Project—Interpretive Center, Working Drawings and Construction. Withhold recommendation pending (1) receipt and review of revised plans and estimates and (2) clarification of total funding scheme. 457
28. (36) *Volunteer Program—Minor Projects. Reduce Item 3790-301-722(36) by \$100,000.* Recommend reduction because the department has not identified how \$100,000 of the request will be spent. 457

State, Urban, and Coastal Park Fund (1976 Bond)

29. (2) *Hearst San Simeon SHM—Climate Control and Electrical Rehabilitation. Reduce Item 3790-301-742(2) by \$250,000.* Recommend deletion because the department does not have adequate information at this time to define the scope or cost of the work. 458
30. (4) *Hearst San Simeon SHM—Additional Water Storage. Reduce Item 3790-301-742(4) by \$132,000.* Recommend deletion because (1) the project will cause the department to exceed further its water allowance, and (2) the project design methods are deficient. 458
31. (5) *Old Sacramento SHP—Museum of Railroad Technology, Programming and Planning. Reduce Item 3790-301-742(5) by \$201,000.* Recommend reduction to provide sufficient funds only for the development of three alternatives for the engineering complex. 459

OVERVIEW OF THE BUDGET REQUEST

The budget proposes appropriations totaling \$49,944,000 from seven different funding sources for capital outlay for the Department of Parks and Recreation in 1987-88. The department proposes to use these funds for 42 major projects, various minor projects, general plan development, and project planning and design. The largest portion of the funds—\$37,955,000—is provided from the Parklands (Bond) Fund of 1984.

For discussion purposes, we have divided the department's program into seven parts based on the proposed funding sources for the 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
1987-88 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	\$800	— ^a
3790-301-263	Off-Highway Vehicle Fund	3,540	445
3790-301-392	State Parks and Recreation Fund	4,344	446
3790-301-721	Parklands (Bond) Fund of 1980	700	— ^b
3790-301-722	Parklands (Bond) Fund of 1984	37,955	446
3790-301-742	State Urban and Coastal Park Fund (1976 Bond)	1,905	458
3790-301-890	Federal Trust Fund	700	— ^b
Total		\$49,944	

^a Project not discussed separately. We recommend approval of the item with a technical reduction.

^b Projects not discussed separately. We recommend approval as budgeted.

ANALYSIS AND RECOMMENDATIONS

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 actions taken by the Legislature in prior years.

Projects Recommended for Approval

Our review of the department's request for 1987-88 indicates that 27 projects totaling \$12,764,000 are reasonable in scope and cost. Accordingly, we recommend approval of these projects in the amounts requested. Table 2 provides a summary of these projects.

DEPARTMENT OF PARKS AND RECREATION—CAPITAL OUTLAY—Continued

Table 2
Department of Parks and Recreation
1987-88 Capital Outlay Program
Projects Recommended for Approval
(dollars in thousands)

<i>Item/Project</i>	<i>Budget Bill Amount</i>
3790-301-263—Off-Highway Vehicle Fund	
(2) Minor Projects	\$1,370
(3) Preliminary Planning	50
(4) Opportunity Purchases	100
(5) Pre-Budget Appraisals	50
3790-301-392—State Parks and Recreation Fund	
(3) Acquisition Costs	150
(4) Pre-Budget Appraisals	90
3790-301-721—Parklands (Bond) Fund of 1980	
(1) Design and Construction Planning	700
3790-301-722—Parklands (Bond) Fund of 1984	
(4) Big Basin SP, Refurbish Campfire Center (WC)	397
(8) China Camp SP, Back Ranch Campground (WC)	896
(14) General Plan Contracts	540
(19) Patrick's Point SP, Visitor Center, Entrance, and Maintenance Facilities (W)	153
(20) Pio Pico SHP, Historic Structures Report	228
(22) Preliminary Planning	300
(24) (b) Klamath District Rehabilitation Projects (WC)	301
(25) San Buenaventura SB, Day-Use Parking (WC)	706
(31) Inholding Purchases	500
(32) Natural Heritage Stewardship Program	1,071
(33) Opportunity Purchases	500
(35) Topographic Surveys	200
(37) Design and Construction Planning	2,600
3790-301-742—State, Urban, and Coastal Park Fund (1976 Bond)	
(1) Hearst San Simeon SHM, Artifact Restoration	262
(3) Hearst San Simeon SHM, Continuing Rehabilitation of Structures	500
(6) Design and Construction Planning	400
3790-301-890—Federal Trust Fund	
(1) Anza Borrego Desert SP, Acquisition	50
(2) Big Basin Redwoods SP, Acquisition	300
(3) California Redwoods Parks, Acquisition	250
(4) Mount Diablo SP, Acquisition	100
Total	\$12,764

Phase symbols indicate: W = Working drawings; C = Construction

Summary of Technical Adjustments

We recommend minor technical adjustments to the amounts budgeted for various projects in the department's capital outlay program. These adjustments are not discussed individually, but generally reflect more recent cost estimates than were available at the time the budget was developed. Table 3 summarizes our recommended technical adjustments by project.

Table 3
Department of Parks and Recreation
1987-88 Capital Outlay Program
Summary of Technical Recommendations
(dollars in thousands)

<i>Item/Project</i>	<i>Recommended Technical Adjustment</i>
3790-301-036—Special Account for Capital Outlay	
(1) Chino Hills SP, Acquisition.....	—\$14
3790-301-392—State Parks and Recreation Fund	
(2) Old Sacramento SHP, Engineering Building Site, Acquisition	—50
3790-301-722—Parklands (Bond) Fund of 1984	
(24) (a) Calaveras Big Trees SP, Trail Rehabilitation (WC)	—15
(24) (c) Manresa SB, Rehabilitate Day-Use Facilities (WC)	—16
(28) Silver Strand SB, New Campground (C)	30
Subtotal, Item 3790-301-722.....	(—\$1)
Total	—\$65

Phase symbols indicate: W = Working drawings; C = Construction

OFF-HIGHWAY VEHICLE FUND **ITEM 3790-301-263**

The budget requests \$3.5 million from the Off-Highway Vehicle (OHV) Fund in 1987-88 for capital outlay projects in the State Vehicular Recreation Area and Trail System.

Capital Program Not Yet Approved by OHV Commission

The Off-Highway Motor Vehicle Recreation Commission, established by Ch 994/82, must review and approve all proposed capital outlay expenditures from the fund proposed for inclusion in the budget. The proposed projects were submitted to the commission for action at its November 1986 meeting. The commission, however, deferred action on the projects, and had not approved the department's proposal at the time this analysis was prepared. Our recommendations are based on the merits of the individual projects and do not take into account the lack of commission action.

(1) Hollister Hills State Vehicular Recreation Area (SVRA), Acquisition \$1,970,000

We recommend a reduction of \$46,000 in the amount requested for acquisition for Hollister Hills SVRA in order to delete funding for one parcel which would not make a useful addition to the park at this time.

The department requests \$1,970,000 for the acquisition of 1,928 acres for addition to Hollister Hills SVRA. However, based on the completed appraisal, it would cost \$2,032,000 to acquire the property. The proposed additions lie in the rift zone of the San Andreas fault and are adjacent to existing park holdings. The department indicates that the property would be used for OHV activities, as well as acting as a buffer from future residential development.

Visitation data submitted by the department shows that Hollister Hills currently operates near capacity, during the heavy-use season, with visitation growing about 15 percent per year. The proposed acquisition would increase the size of the area by about 60 percent, thereby easing the heavy demand placed on existing facilities.

DEPARTMENT OF PARKS AND RECREATION—CAPITAL OUTLAY—Continued

The proposed acquisition consists of two parcels. The larger parcel is a 1,691-acre cattle ranch. This parcel could be converted to OHV use with little problem, and appears appropriate for addition to the park. The Department of General Services estimates a cost of \$1,924,000 to acquire this parcel.

The smaller 237-acre parcel, however, is the site of an active limestone quarry. The department indicates that it would allow the quarrying to continue after it purchased the property under an existing special provision in the Public Resources Code. Thus, the smaller parcel would not be available for OHV use for at least several years. We see no urgency in acquiring the smaller parcel at this time at a cost of about \$108,000, only to hold it for several years until it actually could be used.

Accordingly, we recommend approval only of the acquisition of the ranch property at a cost of \$1,924,000, for a savings of \$46,000.

**STATE PARKS AND RECREATION FUND
ITEM 3790-301-392**

The department requests appropriations totaling \$4.3 million from the State Parks and Recreation Fund for one acquisition project, statewide acquisition and appraisal costs, and various minor projects in 1987-88.

(1) Minor Projects \$3,154,000

We recommend (1) a reduction of \$311,000 in the amount requested for minor projects to delete funds for three projects which are not justified, and (2) approval of funding for 51 other projects in the amount of \$2,843,000.

The department requests \$3,154,000 from the State Parks and Recreation Fund for 54 minor projects to be undertaken throughout the state park system in 1987-88. These minor capital outlay projects (costing \$200,000 or less per project) include (1) health and safety improvements, (2) protection of park resources, and (3) replacement of worn-out facilities.

We recommend deletion of \$311,000 for the following three projects for the reasons indicated:

- **Replace comfort station, Bolsa Chica SB (\$189,200).** The project is located in that portion of the beach which is operated and maintained by the City of Huntington Beach under an operating agreement approved by the Legislature in the 1986 Budget Act. Under the terms of the agreement, the city rather than the state is responsible for replacing worn-out facilities.
- **Restroom replacement, Van Damme SP (\$111,400).** This project was funded by the Legislature in the 1986 Budget Act, and a contract has been awarded to do the work.
- **Stabilize Nash House, Columbia SHP (\$10,300).** This work was accomplished by the department in the current year with savings from other minor projects.

The remaining 51 projects appear reasonable in scope and cost. We, therefore recommend approval of the remaining \$2,843,000 for minor capital outlay projects.

**PARKLANDS (BOND) FUND OF 1984
ITEM 3790-301-722**

The budget proposes a total of \$37,955,000 from the Parklands (Bond) Fund of 1984 for various acquisition, development and minor projects, and for planning activities in 1987-88.

(1) Accessibility Expansion Program—Minor Projects \$200,000

We withhold recommendation on \$200,000 requested for minor projects to increase the accessibility of park facilities, pending receipt and review of the department's plan for addressing systemwide needs, and identification of specific projects proposed for the budget year.

The department requests \$200,000 for accessibility improvement projects in 1987–88. The department's proposal indicates that the funds will be used to remove barriers to the physically handicapped at state park units, but does not identify the scope and cost of specific projects to be accomplished.

The *Supplemental Report of the 1986 Budget Act* directs the department to prepare a report on its accessibility problems which (1) identifies specific needed projects, (2) sets project priorities, and (3) proposes a multi-year plan to accomplish the necessary work. The report was due to the Legislature on January 1, 1987, but had not been submitted at the time this analysis was prepared. The department indicates that the report will be submitted prior to budget hearings, and that it will identify specific projects proposed for 1987–88. We withhold recommendation on the \$200,000 requested for accessibility improvements, pending receipt and review of the required report and identification of the specific work proposed for 1987–88.

(2) Angel Island SP—Tiburon Land Base Improvements, Construction \$500,000

We recommend deletion of \$500,000 requested for land base improvements for Angel Island SP because the department's proposal (1) is an inappropriate use of capital outlay funds, and (2) does not address alternative means of providing the facilities. (Delete Item 3790-301-722(2).)

The department requests \$500,000 to provide for the development of land base facilities in Tiburon to serve persons who want to travel to Angel Island SP. At present, both park visitors and department personnel use concession-run docking facilities in downtown Tiburon. The concession however is operated on a month-to-month basis, and does not provide parking for park visitors.

The department is seeking to establish a more permanent land base in the city by entering into a fifty-year lease with a local property owner for new and expanded facilities. The new facilities would include a floating dock and gangway, public restrooms, passenger waiting room, a 200-car parking lot and other minor improvements. The department indicates that it will use the funds requested in this item to make a first lump-sum lease payment to reimburse the landowner for making the improvements. The department indicates that subsequent lease payments would be subject to negotiation.

While it is reasonable to establish a more permanent base in Tiburon, this proposal is not only unusual, but appears to be contrary to the State Administrative Manual (SAM). The department has not explained why the state should lease a facility built, in effect, with state funds rather than simply acquiring the land (through purchase or a long-term lease) and building the facility itself. In addition, the department's proposal represents an inappropriate use of capital outlay funds. SAM states that "capital outlay projects must be for state owned properties and facilities." The department does not own any property in Tiburon, nor will it own the new facilities under the proposal. Consequently, we recommend deletion of

DEPARTMENT OF PARKS AND RECREATION—CAPITAL OUTLAY—Continued
the \$500,000.

The department alternatively could request funds to (1) acquire the land and construct state-owned improvements, or (2) request support funds to lease the facility if that is a more cost-effective approach.

(3) Bidwell Mansion SHP—Visitor Center, Working drawings and construction \$263,000

We withhold recommendation on \$263,000 requested for a new Bidwell Mansion visitor center, pending receipt of an estimate and plans based on the revised project scope. We further recommend that the department identify the amount and purpose of any non-state funds which will be available for the project.

The budget includes \$263,000 to begin work necessary to move visitor service activities from the historic Bidwell Mansion, in Chico, to a new visitor center, and to restore the mansion to its original appearance. In particular, the funds would be used to prepare working drawings for (1) a new visitor center, (2) removal of a nonhistoric addition and restoration work to adjacent areas, and (3) modifications to the existing parking area. The budget-year work would also include construction of the parking area improvements to make space for the new visitor center. The department plans to request construction funds for the balance of the work in 1988–89.

The department indicates that it has discovered problems with its initial space allocation in the new visitor center, and that the OSA estimate and plans must be adjusted to provide approximately 300 additional square feet of space.

The department's proposal appears to be reasonable. We withhold recommendation, however, pending receipt and review of plans and estimates based on the revised project scope. In addition, the department indicates that the park's advisory group will contribute a portion of the funds needed for the project. The revised budget proposal should identify clearly the amount of any non-state project funds, and the purposes for which they will be used.

(5) Big Basin Redwoods SP—Rehabilitate Sewer Plant, Studies \$150,000

We recommend deletion of \$150,000 requested for studies to determine the appropriate modifications to the sewer plant at Big Basin Redwoods SP, because the department already has determined the scope of necessary work. (Delete Item 3790-301-722(5).)

The budget includes \$150,000 for studies to determine the best methods for upgrading the existing sewer plant at Big Basin Redwoods SP to meet water discharge requirements. (The Budget Bill incorrectly identifies the request as construction funds.)

The existing sewer plant was constructed about 40 years ago. The 1982 Budget Act appropriated \$234,000 to the department to modify the plant to meet increased health, safety, and permit requirements. However, the plant continues to violate discharge requirements specified by the regional water quality control board. The board has ordered the department to make corrections to the plant.

Our review of the project indicates that the department and the regional board already have determined the specific changes which must be made to bring the plant into compliance. Consequently, no additional

study funds are needed, and we recommend deletion of this request.

The department indicates that it will submit a new proposal requesting funds for planning and construction work through a budget amendment letter.

(6) Big Basin Redwoods SP—Acquisition \$1,500,000

We withhold recommendation on \$1,500,000 requested for acquisition at Big Basin Redwoods SP, pending receipt and review of the property appraisal.

The department requests \$1.5 million for the acquisition of 540 acres as an addition to Big Basin Redwoods SP. The proposed acquisition is located adjacent to the southeast border of the existing park in the area known as Little Basin. The property has been a private camp and is developed with recreational facilities, including 62 campsites, 200 family picnic sites, a 500-person group picnic site, and comfort stations. The area also can accommodate 200 informal campsites.

The appraisal of the property is being done by the current owner and will be submitted to the Department of General Services for review and approval. At the time this analysis was prepared, however, the appraisal had not been transmitted to the state. Without this information, we are unable to evaluate fully the department's request. We withhold recommendation on the \$1.5 million for acquisition at Big Basin Redwoods SP, pending receipt and review of the property appraisal.

**(7) Brannan Island SRA—Building Construction at Group
Camp Area, Construction..... \$197,000**

We recommend that the department accomplish the construction of a shower/restroom building at Brannan Island SRA through its minor capital outlay program, for a savings of \$29,000 from the budgeted amount. (Reduce Item 3790-301-722(7) by \$29,000.)

The budget requests \$197,000 to construct a new shower/restroom building and related utilities at Brannan Island SRA in Sacramento County. The project would replace existing chemical toilets and provide shower facilities at a group campground which currently has substandard facilities.

The project would make a much needed improvement at the recreation area. The department, however, proposes to budget the work as a major capital outlay project. This means the work must be accomplished by the Office of State Architect (OSA), which estimates the total project cost at \$317,000. The OSA estimate includes architectural/engineering fees and contingency amounts in excess of standards, as well as, items of work not included in the department's project description.

The proposed work could be done at significantly less cost through the department's minor capital outlay program. Minor projects, which cost less than \$200,000 each, can be designed and contracted by the department directly. On many occasions, the department has constructed restroom and shower facilities through its minor program. Our discussions with the department indicate that it could construct the proposed building and related utilities as a minor project for \$168,000. This amount represents savings of \$149,000 from the OSA estimate, or \$29,000 from the amount included in the Budget Bill.

We, therefore, recommend that the Budget Bill be amended (1) to reduce the project cost by \$29,000 and (2) to indicate that the project is minor capital outlay.

DEPARTMENT OF PARKS AND RECREATION—CAPITAL OUTLAY—Continued**(9) China Camp SP—Sewer, Working Drawings and Construction \$596,000**

We recommend a reduction of \$147,000 in the amount requested for construction of a sewer system at China Camp SP in order to reflect the previously approved project cost, as adjusted for inflation. (Reduce Item 3790-301-722(9) by \$147,000.)

The budget includes \$596,000 for the construction of a new sewer system and comfort facilities for the historic village area of China Camp SP. The system will replace inadequate methods of waste disposal which do not meet the standards of the regional water quality control board.

The Legislature previously provided construction funds for this project in the 1984 Budget Act, and the Public Works Board (PWB) approved preliminary plans and cost estimates in August 1984. However, construction funds were reverted in the 1986 Budget Act in order to address a shortfall in tidelands oil revenue.

The PWB and legislative actions in 1984 established an approved project construction cost of \$414,000. When adjusted for the effects of inflation, construction costs in the budget year should not exceed \$449,000. This is \$147,000 less than the amount requested.

The department has provided a list of the items for which its estimate of costs have increased, but has not provided any reason or justification for the increases. Without such justification, we see no reason to provide additional funds beyond the normal inflation adjustment for construction costs. We, therefore, recommend a reduction of \$147,000 in the amount requested.

(10) Chino Hills SP—Initial Development of Facilities, Working Drawings \$346,000

We withhold recommendation on \$346,000 for working drawings for the development of initial facilities at Chino Hills SP, pending receipt and review of completed project plans and estimates.

The department requests \$346,000 for the preparation of working drawings for the development of initial facilities at Chino Hills SP. The budget amount includes \$200,000 for OSA to prepare the plans, and \$146,000 for associated resource protection and interpretive work which will be accomplished by the department. The project will include utility and road development, erosion control measures, building stabilization, trailhead improvements, and construction of comfort facilities and an employee residence area. The department estimates the future construction cost of the facilities at \$1.8 million.

Chino Hills SP is located about 25 miles east of the City of Los Angeles in Orange, San Bernardino, and Riverside counties. Over the last six years, the state has spent nearly \$50 million acquiring property for this park. This request represents the first funding for the development of permanent facilities in the unit. The general plan for Chino Hills was approved by the State Park and Recreation Commission in May 1986.

At the time this analysis was prepared, the OSA had not completed plans and budget estimates for the proposed work. Without this information, we have no basis for evaluating the requested level of funding. The department indicates that this information should be available for review prior to budget hearings. Accordingly, we withhold recommendation on the

request of \$346,000 for development work at Chino Hills.

**(11) Dockweiler SB—Rehabilitation of Existing Facilities,
Construction \$322,000**

We recommend deletion of \$322,000 requested for rehabilitation of existing facilities at Dockweiler SB because the proposed work is a local responsibility under the terms of the operating agreement for the beach. (Delete Item 3790-301-722(11).)

The budget requests \$322,000 for the repair and renovation of existing facilities at Dockweiler SB. Specifically, the funds would be used to rehabilitate the beach, restroom, and concession areas, maintenance facilities, parking lots, and access roads. (The Budget Bill incorrectly indicates that the funds are for working drawings.)

Dockweiler SB is not operated by the state. Under the terms of an operating agreement which expires in 1998, the City of Los Angeles is responsible for all costs of "developing, improving, maintaining, operating, controlling and using" Dockweiler SB. The city, in turn, has an agreement with the County of Los Angeles under which the county operates and maintains the beach, and capital improvements can be made by either the city or the county.

Accordingly, we recommend deletion of the \$322,000 requested for rehabilitation work at Dockweiler SB because the project is a local responsibility.

**(12) Folsom Lake SRA—New York Campground, Working
Drawings \$206,000**

We withhold recommendation on \$206,000 requested for working drawings for a new campground development at Folsom Lake SRA, pending receipt and review of the department's revised proposal.

The budget includes \$206,000 for working drawings for a new 80-unit campground in the New York Cove area of Folsom Lake SRA. The budget amount is OSA's estimate of the amount needed for working drawings. The department indicates, however, that the future construction amount (based on OSA's estimate) significantly exceeds the amount of bond funds which it proposes to allocate to this project. Consequently, the department indicates that it will revise the project proposal to address the funding problem. We withhold recommendation on the \$206,000 requested for working drawings, pending receipt and review of the department's revised proposal.

**(13) Folsom Lake SRA—Powerhouse Rehabilitation,
Construction \$154,000**

We recommend that the Budget Bill be amended to allow the department to accomplish the rehabilitation of the Folsom Lake powerhouse through its minor capital outlay program.

The department requests \$154,000 for restoration and rehabilitation of the historic powerhouse at Folsom Lake SRA. The funds would be used for structural and architectural improvements to increase the interpretive value of the facility. The powerhouse, which was constructed in 1897, was the first facility to transmit AC power over a long distance in California.

We recommend approval of the project in concept. However, the administration proposes to budget the work as a major capital outlay project. This means the project must go to the Public Works Board for review and

DEPARTMENT OF PARKS AND RECREATION—CAPITAL OUTLAY—Continued

the work must be done by the Office of State Architect (OSA).

A project of the scope and cost of this restoration does not require that level of review and control. On many occasions, the department has accomplished similar restoration projects through its minor program. Minor projects, which cost less than \$200,000 each, can be designed and contracted by the department directly usually with a savings in administrative costs. Our discussions with the department indicate that the proposed project is appropriate for its minor capital program. We, therefore, recommend that the Budget Bill be amended to indicate that the project is minor capital outlay.

(15) Malibu Lagoon SB—Adamson House and Archeological Research, Working Drawings and Construction \$345,000

We withhold recommendation on \$345,000 for restoration work at the Adamson House at Malibu Lagoon SB, pending receipt and review of revised project proposal and estimates.

The budget proposes \$345,000 in working drawing and construction funds for repair and restoration work at the Adamson House at Malibu Lagoon SB. The budget amount is based on the department's estimate of repairs to interior walls and ceramic tile, exterior electrical and site work, and perimeter fencing.

The department now indicates that it will revise the project scope to give first priority to more fundamental problems such as roof repairs. At the time this analysis was prepared, however, the department had not revised its proposal, and the OSA estimate of project cost was not completed. Consequently, we withhold recommendation on the requested \$345,000, pending receipt and review of this information.

(16) Mendocino Woodlands Outdoor Center, Construction..... \$632,000

We recommend a reduction of \$383,000 in the amount requested for utility rehabilitation and repair at Mendocino Woodlands Outdoor Center, because the work can be accomplished directly by the department at a lower cost. (Reduce Item 3790-301-722(16) by \$383,000.)

The budget includes \$632,000 for the second phase of improvements to the Mendocino Woodlands Outdoor Center. The center, which originally was developed by the federal government, consists of three camps and associated support facilities on 720 acres. The center is operated by a non-profit association as an outdoor environmental education facility. First phase funding of \$350,000 was provided in the 1986 Budget Act for the extension of utility services to the center. The budget-year funds would be used to install internal electrical distribution systems, repair roads, improve the sewage disposal system, and develop new water sources.

The scope of the proposed project appears reasonable. The OSA estimate of costs, however, appears excessive for the type of work proposed, and also includes excessive amounts for contingencies and architectural/engineering fees. In the past, the department has contracted for work of this type at significantly lower costs. Based on the department's estimate, it could accomplish the project for a total of \$249,000 by splitting the work into three smaller contracts and doing the design work in-house. The OSA has indicated that it would agree to allow the department to administer this project directly. We, therefore, recommend a reduction of \$383,000 in

the requested amount, to reflect the department's cost to do the project directly.

(17) Mount Diablo SP—Working Drawings and Construction \$377,000

We withhold recommendation on \$377,000 requested to convert the Summit Building at Mount Diablo SP into a visitor center and interpretive museum, pending receipt and review of the revised cost estimate.

The budget requests \$377,000 for working drawings and construction to adapt the existing Summit Building at Mount Diablo SP in Contra Costa County for a visitor center and interpretive museum. The stone building was constructed in 1939 by the federal government and is in need of repairs. Proposed work for the budget year includes waterproofing, utility and heating upgrades, interior finishing, and handicapped accessibility improvements. The State Park Foundation will provide the building's exhibits and displays costing about \$400,000, at no cost to the state.

The scope of the proposed work appears reasonable. However, OSA's estimates for the work, which is based on conceptual plans only, is about 40 percent higher than the department's estimate, and includes excessive amounts for contingencies and fees. The department indicates that it is working with OSA to refine the estimates to reflect more accurately the actual scope of work. We withhold recommendation on the \$377,000 requested, pending receipt and review of the revised estimate.

(18) Old Sacramento SHP—Walnut Grove Excursion Line,

Acquisition \$1,500,000

We recommend a reduction of \$525,000 in the amount requested for acquisition of the Walnut Grove excursion line from Old Sacramento SHP, to reflect the state's completed appraisal of the property. We further recommend the adoption of Budget Bill language prohibiting the purchase of the property until the department has signed an agreement with the local transit district for the use of that portion of the branch line owned by the district. (Reduce Item 3790-301-722(18) by \$525,000.)

The department requests \$1.5 million for the acquisition of approximately 7.1 miles of the Southern Pacific Railroad's abandoned Walnut Grove branch line 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 the portion of the branch line from Old Sacramento south to Sutterville Road. The funds proposed for the budget year would be used to purchase the line between the towns of Freeport and Hood. The purpose of the project is eventually to allow the department to run an excursion train service between Old Sacramento and the town of Hood in conjunction with the activities of the California State Railroad Museum. 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.

Budget includes excessive funds. At the time the budget was developed, the Department of General Services had not completed its appraisal of the property. Based on the completed appraisal, however, only \$975,000 is needed for property acquisition and administrative costs. We therefore recommend a reduction of \$525,000 in the amount requested for the branch line acquisition.

Use agreement needed for portion of line. The Sacramento Regional Transit District owns the portion of the line between Sutterville Road and Freeport. In order for the proposed acquisition to be of any use, the department also must have access to the district-owned portion of the

DEPARTMENT OF PARKS AND RECREATION—CAPITAL OUTLAY—Continued

line. The department indicates that it plans to enter into an use agreement with the transit district. However, the terms of this agreement have not been finalized yet. Without this agreement, there is no reason to purchase the proposed acquisition. Accordingly, we recommend the adoption of the following Budget Bill language under Item 3790-301-722 prohibiting the purchase of the property funded under this item until the department has entered into a use agreement with the transit district:

"Funds provided in Category (18) of this item for the acquisition of the Walnut Grove branch line between the towns of Freeport and Hood shall not be available to purchase the property until the department has entered into an agreement with the Sacramento Regional Transit District for the use of that portion of the branch line between Sutterville Road and the town of Freeport which is owned by the district."

(21) Point Sur Light Station—Working Drawings and Construction \$332,000

We withhold recommendation on \$332,000 requested for immediate public use improvements at Point Sur Light Station, pending receipt and review of the department's revised proposal.

The budget includes \$332,000 for the second phase of immediate public use improvements at Point Sur Light Station in Monterey County. The requested amount is based on the department's preliminary estimate of project cost, because OSA had not completed its estimate in time to be included in the budget. The completed OSA estimate of \$419,000 significantly exceeds the amount of bond funds the department proposes to allocate to this project. Consequently, the department indicates that it will revise the project proposal to reduce its cost. We withhold recommendation on the \$332,000 requested for immediate public improvements, pending receipt and review of the department's revised proposal.

(23) Pyramid Lake SRA—Liebre Peninsula/Vista del Lago, Phase I development \$3,000,000

We recommend deletion of \$3 million requested for development at Pyramid Lake, because the scope of work and associated costs are not defined adequately. (Delete Item 3790-301-722(23).)

The budget proposes \$3 million for (1) working drawings and construction of new day-use facilities on the Liebre peninsula at Pyramid Lake in Los Angeles County, and (2) the state's contribution to the construction of a freeway interchange to allow access to the area.

Pyramid Lake, as part of the State Water Project, is under the jurisdiction of the Department of Water Resources (DWR). The DWR has an agreement with the U.S. Forest Service for the operation and maintenance of the recreational facilities at the lake. The state, however, through the Department of Parks and Recreation is responsible for the construction of recreational facilities.

The department indicates that the actual design and construction of the project would be accomplished by the DWR. The DWR originally had conceptual plans for a project costing about \$6 million. The department indicates that DWR will modify the project to fit the proposed \$3 million appropriation. No plans have been developed, however, for the smaller project. Further, the department has a project estimate developed in 1985 that has only five lines of detail, and totals \$3.2 million.

The available information does not explain the project adequately, nor does it justify the amount requested. For this reason, we recommend deletion of the \$3 million requested for development at Pyramid Lake.

(24) Rehabilitation and Replacement of Worn Out Facilities,

Construction \$5,431,000

The budget requests a total of \$5,431,000 to rehabilitate five park units in the budget year. The proposed projects vary from trail improvements to complete renovation of campgrounds. Elsewhere in this analysis, we recommend approval of one project, and recommend technical reductions to two other projects. The remaining two projects are discussed below.

(d) Millerton Lake SRA (\$2,940,000)

We withhold recommendation on \$2,940,000 requested for rehabilitation of camping and day-use facilities at Millerton Lake SRA, pending receipt and review of the department's revised proposal.

The budget includes \$2,940,000 to upgrade day-use and overnight facilities on the north shore of Millerton Lake in Fresno County. The department indicates that the budget amount, which is based on OSA's project estimate, significantly exceeds the amount of bond funds which it proposes to allocate to this project. Consequently, the department indicates that it will revise the project proposal to reduce its cost. We withhold recommendation on the \$2,940,000 requested for rehabilitation work, pending receipt and review of the department's revised proposal.

(e) Silver Strand SB (\$1,500,000)

We withhold recommendation on \$1,500,000 requested for the rehabilitation of day-use facilities at Silver Strand SB, pending receipt and review of the department's revised proposal.

The budget includes \$1.5 million to remodel day-use facilities at Silver Strand SB in San Diego County. The request is based on the department's preliminary estimate of project cost, because OSA had not completed its estimate in time to be included in the budget. The completed OSA estimate of \$2,333,000, however, significantly exceeds the amount of bond funds which the department proposes to allocate to this project. Consequently, the department indicates that it will revise the project proposal to reduce its cost. We withhold recommendation on the \$1.5 million requested for remodeling work, pending receipt and review of the department's revised proposal.

(26) San Diego Coast State Beaches, South Cardiff SB—

Working Drawings and Construction..... \$2,390,000

We recommend a reduction of \$274,000 in the amount requested to rehabilitate day-use facilities at Cardiff SB in order to reflect the previously approved project cost, as adjusted for inflation and new items of work. (Reduce Item 3790-301-722 (26) by \$274,000.)

The department requests \$2.4 million to rehabilitate the day-use area at the south end of Cardiff SB in San Diego County. The project funds will be used to pave an existing dirt parking lot, provide comfort facilities, install utilities, provide landscaping, and improve beach access.

The Legislature previously provided construction funds for this project in the 1984 Budget Act, and the Public Works Board (PWB) approved

DEPARTMENT OF PARKS AND RECREATION—CAPITAL OUTLAY—Continued

preliminary plans and cost estimates in December 1983. However, the construction funds were reverted in the 1986 Budget Act in order to address a shortfall in tidelands oil revenue.

The PWB and legislative actions established an approved project construction cost of \$1,768,000. When adjusted for the effects of inflation and new items of work, the budget-year request should not exceed \$2,116,000. This is \$274,000 less than the amount requested.

The department has provided a list of the items for which its cost estimate has increased, but it has not provided any reason or justification for the increases. Without such justification, we see no reason to provide additional funds beyond the amounts needed for new work and normal inflation adjustments. We, therefore, recommend a reduction of \$274,000 in the amount requested.

(27) San Luis Reservoir SRA—Continuing Recreation Development, Phase II, Working Drawings and Construction \$1,724,000

We withhold recommendation on \$1,724,000 requested for continuing development at San Luis Reservoir SRA, pending receipt and review of the department's revised proposal.

The budget includes \$1.7 million to continue development of day-use and camping facilities in the O'Neill Forebay area of San Luis Reservoir SRA in Merced County. The department indicates that the budget amount, which is based on OSA's project estimate, significantly exceeds the amount of bond funds which it proposes to allocate to this project. Consequently, the department indicates that it will revise the project proposal to reduce its cost. We withhold recommendation on the \$1.7 million requested for continuing development, pending receipt and review of the department's revised proposal.

(29) South Carlsbad SB—Administration/Maintenance Center and Day Use Facilities, Construction \$3,999,000

We withhold recommendation on \$3,999,000 requested for construction of day-use and administrative facilities at South Carlsbad SB, pending receipt and review of the department's revised proposal.

The budget includes \$3,999,000 to construct new day-use and administrative/maintenance facilities at South Carlsbad SB in San Diego County. The requested amount is based on a preliminary estimate of project cost, because OSA had not completed its estimate in time to be included in the budget. The completed OSA estimate of \$4,386,000, however, significantly exceeds the amount of bond funds which the department proposes to allocate to this project. Consequently, the department indicates that it will revise the project proposal to reduce its cost. We withhold recommendation on the \$3,999,000 requested for new construction, pending receipt and review of the department's revised proposal.

(30) Stanford House SHP—Historic Preservation, Construction \$500,000

We recommend deletion of \$500,000 requested to begin preservation work on the Stanford House, because the request is premature given the status of previously funded work.

The department proposes \$500,000 to begin construction work on the

historic preservation of the Stanford House SHP in the City of Sacramento. The funds would be used to (1) demolish some of the nonhistoric aspects of the building, (2) do partial site work and minor reconstruction, and (3) begin interpretive and archeological work. The department indicates that additional construction funds would be requested for 1988-89.

The Legislature has provided a total of \$430,000 in the last two Budget Acts to develop a historic structures report and to prepare preliminary plans and working drawings for the restoration. The building currently is leased through June 1987 by the Diocese of Sacramento, and the historic structures report cannot be completed until the building is vacated. Plans and working drawings, in turn, cannot be started until the historic structures report is completed. Given the status of the previously funded work, it is premature to fund even partial construction for the Stanford House. Accordingly, we recommend deletion of the \$500,000 requested for preservation work on the Stanford House.

**(34) Tijuana River National Estuarine Sanctuary Project—
Interpretive Center, Working Drawings and
Construction**

\$500,000

We withhold recommendation on \$500,000 requested as the department's share of the costs of an interpretive center for the Tijuana River National Estuarine Sanctuary, pending (1) receipt and review of revised plans and estimates and (2) clarification of total funding scheme.

The budget includes \$500,000 for the department's share of working drawings and construction of an interpretive center on state-owned land at the Tijuana River National Estuarine Sanctuary. National estuarine sanctuaries are areas protected and managed through a federal-state cooperative effort for long-term research, education, and interpretation. The proposed center would serve as administrative offices, as well as a facility to interpret the unique aspects of the surrounding wetlands.

Revised plans and estimates due soon. The department has contracted through the local interpretive association for the development of preliminary plans for the project. The plans and estimates currently are being revised to reflect changes suggested by the department. The revised plans and estimates should be available for review prior to budget hearings.

Total project funding needs clarification. The requested funds would be used in conjunction with federal funds available to the state under the Coastal Zone Management Act. We requested information from the department concerning the sources and uses of all funds which will be used for the project. The information provided by the department is inconsistent, however, and raises additional questions about the total project cost and how the different phases of work are being funded.

We withhold recommendation on the proposed \$500,000 pending receipt and review of the revised plans, and clarification of the total funding scheme.

(36) Volunteer Program—Minor Projects

\$1,000,000

We recommend a reduction of \$100,000 in the amount requested for minor projects related to the department's volunteer program because the department has not identified how these funds will be spent. (Reduce Item 3790-301-722(36) by \$100,000.)

The department requests \$1,000,000 for minor projects to be accomplished through volunteer programs at park units around the state. The

DEPARTMENT OF PARKS AND RECREATION—CAPITAL OUTLAY—Continued

request is the third phase of a three-year program to increase the department's use of volunteers. The funds would be used to provide staff supervision and materials for projects to enhance recreational services.

The department has provided a list of volunteer projects totaling \$900,000 which appears reasonable. The department, however, has not identified any projects for the remaining \$100,000. Without this information, we have no basis to evaluate the need or appropriateness of these funds. Accordingly, we recommend a reduction of \$100,000 in the amount requested for volunteer projects.

STATE, URBAN, AND COASTAL PARK FUND (1976 BOND)**ITEM 3790-301-742**

The department requests \$1,905,000 from the State, Urban, and Coastal Park Fund for five capital outlay projects and for project planning and development in 1987-88.

(2) Hearst San Simeon SHM—Climate Control and

Electrical Rehabilitation \$250,000

We recommend the deletion of \$250,000 requested to update the climate control and electrical systems at Hearst Castle because the department does not have adequate information at this time to define the scope or cost of the work.

The budget requests \$250,000 to update the climate control and electrical systems at Hearst Castle. The department identifies the request as the "first phase" of a program to implement the recommendations of studies of each of the systems. The department's proposal however does not indicate (1) any of the specific work to be done or (2) the number and cost of any future phases.

The 1984 Budget Act provided \$81,000 for a climate control study to document the interaction between the interior climate of the buildings, the condition of the museum collections, and visitation at the castle. This study was due to the Legislature by March 1, 1986. However, the department now indicates that the study will not be completed until *after* the start of the budget year.

The department also contracted with the Office of the State Architect to evaluate the electrical system at the castle. The department received the evaluation in January 1987, but had not reviewed it at the time this analysis was prepared. While the evaluation may identify deficiencies in the *existing* electrical system, improvements to the electrical system also should include any changes needed to accommodate better climate controls. Thus, plans to improve the electrical system should be deferred until the climate study is completed.

The request for funds for climate control and electrical work is premature until the specific work to be done can be identified. The department should submit a proposal for consideration in next year's budget to address these problems. Accordingly, we recommend that the \$250,000 requested for climate control and electrical work be deleted.

(4) Hearst San Simeon SHM—Additional Water Storage \$132,000

We recommend the deletion of \$132,000 requested to increase the water storage capacity at the Hearst Castle because (1) the project will cause the department to exceed further its water allowance, and (2) the project

design methods are deficient.

The budget requests \$132,000 to prepare working drawings for an additional water storage facility for Hearst San Simeon SHM. The additional water from the reservoir would be used primarily for irrigation of the castle grounds. The department indicates that water use is limited during most summers, resulting in a loss of historical landscaping.

We have several concerns with the department's proposal.

Water allowance is limited. The proposal does not address, and in fact complicates, a more fundamental water issue at the castle. The gift deed, which transferred ownership of the castle from the Hearst Corporation to the state, limits the amount of water the state can use to 20,000 gallons per day (gpd). Currently, the state uses an average of about 50,000 gpd, with peak usage varying between 70,000 and 90,000 gpd. The department states that this project would make up to 20,000 gpd more available to the state, thereby increasing the average usage to possibly 70,000 gpd. However, *the state's official water allowance under the gift deed still would remain at the 20,000 gpd level.* Thus, the project only would exacerbate the water overusage problem at the castle.

In addition, the department is contemplating actions which will further increase the state's use of water. The department indicates that it is interested in adding the pergola area to its holdings at the castle through a gift deed from the Hearst Corporation. This area includes (1) the animal pens which served as the zoo, and (2) the 1.5 mile arbor-like structure that winds around the adjacent hilltop. The area is planted with fruit trees and grape vines, which will increase landscaping irrigation needs beyond the current level.

Design methods are deficient. The department's proposal indicates that the new reservoir would have a capacity of between 1.5 million and 2 million gallons. The proposal states that the exact size will be determined by how large a reservoir can be built for a specific amount of money. This approach puts the cart before the horse. The necessary size of a new reservoir should be based on an analysis of daily and annual water needs and existing storage capacity. If the state had an unlimited water allowance, it should build a reservoir to meet its needs.

For these reasons, we recommend that the Legislature delete the \$132,000 requested to develop working drawings for additional water storage at Hearst Castle. The department should develop a comprehensive plan to address the water problems at the castle, including the water allowance specified in the gift deed.

**(5) Old Sacramento SHP—Museum of Railroad Technology,
Programming and Planning..... \$361,000**

We recommend a reduction of \$201,000 in the amount requested for planning activities for the Museum of Railroad Technology, to provide sufficient funds to develop architectural programs and conceptual drawings for three alternatives for developing the engineering complex.

The department requests \$361,000 for programming and planning activities for a new engineering complex for the California State Railroad Museum in Old Sacramento SHP. The complex, which the department calls the "Museum of Railroad Technology", would provide facilities to (1) interpret the technical aspects of railroad equipment design and construction for museum visitors, and (2) restore and maintain the museum's railroad equipment.

Under the department's proposal, the complex would consist of four

DEPARTMENT OF PARKS AND RECREATION—CAPITAL OUTLAY—Continued

structures: a building for engineering and technology interpretive displays; a working restoration and maintenance shop with visitor access; storage facilities for that portion of the department's collection which is not on display; and a railroad excursion station for trains traveling to and from Old Sacramento. The funds requested for the budget year would be used to (1) do architectural programming for all facilities, (2) prepare preliminary plans for the restoration/maintenance facility and the excursion station, (3) begin interpretive planning, and (4) develop overall project cost estimates.

The activities proposed for the budget year would be the first step in a major development program for the Railroad Museum. The development of an engineering complex is consistent with the master plan for the museum which was developed in 1974. However, the department's proposal, with an estimated total cost of *\$40 million*, exceeds both the scope and scale of the facilities envisioned in the master plan. For example, the master plan originally indicated that both the interpretive and restoration functions could be accommodated in a building of about 20,000 square feet with display space for three locomotives. The department's proposal includes 84,000 square feet for the interpretive and restoration functions, including space for 13 locomotives or cars. This is over four times the amount of space indicated in the master plan. The department provides no explanation of why 13 locomotive/car displays is more appropriate than 3, or any other number.

By requesting funds to prepare preliminary plans for a restoration and maintenance facility, in addition to general project programming funds, the department essentially is asking the Legislature to authorize a \$40 million project with little information justifying the scope of work, and no discussion of alternative development schemes.

We recommend instead that the department develop architectural programs and conceptual drawings for three alternatives of varying scope and cost for the Legislature to consider. The alternatives developed should include one that corresponds to the scale of the facility outlined in the museum master plan. The department, in submitting its future budget request for this facility should discuss the pros and cons of each alternative, and should provide detailed justification for the alternative it proposes.

The department indicates that \$160,000 should be sufficient to develop the three alternative schemes for the engineering complex. Accordingly, we recommend a reduction of \$201,000.

Resources Agency

SANTA MONICA MOUNTAINS CONSERVANCY

Item 3810 from the General

Fund and the Santa Monica

Mountains Conservancy Fund

Budget p. R 152

Requested 1987-88	\$593,000
Estimated 1986-87	595,000
Actual 1985-86	661,000
Requested decrease (excluding amount for salary increases) \$2,000 (-0.3 percent)	
Total recommended reduction	None

1987-88 FUNDING BY ITEM AND SOURCE

Item—Description	Fund	Amount
3810-001-001—Support	General	\$244,000
3810-001-941—Support	Santa Monica Mountains Conservancy	\$309,000
Reimbursements	—	40,000
Total		\$593,000

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 purchases lands and provides grants to state and local 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. The conservancy has a governing board of nine voting members.

The conservancy, located in Los Angeles, is authorized 9.2 personnel-years in the current year.

OVERVIEW OF THE BUDGET REQUEST

The budget requests a total of \$593,000 from the General Fund (\$244,000), the Santa Monica Mountains Conservancy Fund (\$309,000), and reimbursements (\$40,000) for support of the conservancy in 1987-88. Table 1 shows the conservancy's program funding and staffing for the past, current, and budget years. As shown in Table 1, the requested amount is virtually equal to estimated current-year expenditures—a decrease of only \$2,000. This decrease, which is approximately 1 percent of the General Fund support, is proposed as a "Special Adjustment." Further, Table 1 has not been adjusted to reflect any potential savings in 1986-87 which may

SANTA MONICA MOUNTAINS CONSERVANCY—Continued

be achieved in response to the Governor's December 22, 1986 directive to state agencies and departments to reduce General Fund expenditures.

Table 1
Santa Monica Mountains Conservancy
Summary of Expenditures and Funding Sources
1985-86 through 1987-88
(dollars in thousands)

	<i>Expenditures</i>			<i>Percent Change From 1986-87</i>
	<i>Actual 1985-86</i>	<i>Est. 1986-87</i>	<i>Prop. 1987-88</i>	
Santa Monica Mountains Conservancy	\$661	\$595	\$593	-0.3%
Funding Sources				
General Fund	\$318	\$246	\$244	-0.8%
Santa Monica Mountains Conservancy Fund	211	309	309	—
Reimbursements	132 ^a	40	40	—
Personnel-Years	8.8	9.2	9.2	—

^a Includes \$87,000 transferred to the conservancy's support budget from capital outlay appropriations.

ANALYSIS AND RECOMMENDATIONS***We recommend approval.***

The budget proposes no staffing or other changes in the conservancy's support budget. However, the nature of some of the staff's work will change in 1987-88. In the current year, the conservancy estimates expenditures totaling \$4.9 million for capital outlay projects. The conservancy's budget request, however, does not include *any* funds for this purpose in 1987-88. The conservancy indicates that in the budget year it will redirect 2 personnel-years of staff currently used for capital outlay projects to work instead on property sales and on new projects funded from property sale proceeds. One of the conservancy's functions is to buy land threatened with unsuitable development, transfer those parcels most useful for public recreation to public agencies, and then sell the remainder of the land for development that conforms with the Santa Monica Mountains Comprehensive Plan. The conservancy's other seven staff will continue to oversee existing projects and work with local government and the National Park Service to implement the plan. The proposed redirection is reasonable.

Estimated Revenues Will Cover Costs. The conservancy's request includes \$309,000 from the Santa Monica Mountains Conservancy (SMMC) Fund. In order to generate the revenue to pay program costs, the conservancy plans to sell a 1.25-acre residential parcel in Malibu, which it will receive from the National Park Service in exchange for the Peter Strauss Ranch. A private appraisal, done in December 1986, estimates the market value of the parcel to be about \$700,000.

Based on this information, the sale of the parcel should generate enough revenue to fund the appropriation in the budget year and leave an adequate reserve in the fund. In addition, the proposed funding split between the SMMC Fund and the General Fund is consistent with the funding ratio approved by the Legislature last year.

Resources Agency**SAN FRANCISCO BAY CONSERVATION AND DEVELOPMENT COMMISSION**

Item 3820 from the General

Fund	Budget p. R 155
Requested 1987-88	\$1,585,000
Estimated 1986-87	1,672,000
Actual 1985-86	1,459,000
Requested decrease (excluding amount for salary increases) \$87,000 (-5.2 percent)	
Total recommended reduction	None

1987-88 FUNDING BY ITEM AND SOURCE

Item—Description	Fund	Amount
3820-001-001—Support	General	\$1,385,000
Reimbursements	—	200,000
Total		\$1,585,000

GENERAL PROGRAM STATEMENT

The San Francisco Bay Conservation and Development Commission (BCDC) was created by the Legislature in 1965. The commission consists of 27 members representing citizens 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.
2. Changes in the 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 22.8 personnel-years of staff in the current year.

OVERVIEW OF THE BUDGET REQUEST

The budget proposes total expenditures of \$1,585,000 for support of BCDC activities in 1987-88. This is a decrease of \$87,000, or 5.2 percent, from total estimated current-year expenditures. Proposed expenditures consist of \$1,385,000 from the General Fund and \$200,000 in reimbursements. The reimbursements received by the BCDC are from federal Coastal Zone Management Act (CZMA) funds allocated by the Coastal Commission. The Coastal Commission is the single state agency designated to receive CZMA funds.

Table 1 summarizes the changes proposed in the BCDC's budget for 1987-88. The table shows that budget change proposals totaling \$35,000 in the budget year are offset by a \$108,000 decrease due to deletion of a

SAN FRANCISCO BAY CONSERVATION AND DEVELOPMENT COMMISSION

—Continued

one-time expenditure in the current year. In addition, the budget has been reduced by \$14,000, which is approximately 1 percent of the BCDC's General Fund support, as a Special Adjustment. These changes result in a net decrease of \$87,000 in the BCDC's 1987-88 budget. Table 1 has not been adjusted to reflect any potential savings in 1986-87 which may be achieved in response to the Governor's December 22, 1986 directive to state agencies and departments to reduce General Fund expenditures.

Table 1
San Francisco Bay Conservation and Development Commission
Proposed Budget Changes
(dollars in thousands)

1986-87 Expenditures (Revised)	\$1,672
Proposed Changes:	
A. Workload and Administrative Adjustments	
1. Deletion of one-time expenditure for office automation	-\$108
2. Special Adjustment	-14
Total workload and administrative changes	-122
B. Budget Changes	
1. Commissioner per diem costs, Chapter 462, 1986	\$16
2. Rent increase	19
Total budget change proposals	\$35
1987-88 Expenditures (Proposed)	\$1,585
Change from 1986-87:	
Amount	-\$87
Percent	-5.2%

ANALYSIS AND RECOMMENDATIONS

We recommend approval.

Although the budget shows that the BCDC's personnel-years of staff will increase by 1.7 PYs in 1987-88, this is merely a technical adjustment that reduces the number of personnel-years attributed to the same dollars of salary savings. The BCDC will not have any net new staff in 1987-88.

Our analysis indicates that the budget request for the Bay Conservation and Development Commission (BCDC) in 1987-88 appears reasonable and is consistent with the commission's statutory mandates.

Resources Agency
DEPARTMENT OF WATER RESOURCES

Item 3860 from the General
 Fund and various special
 funds

Budget p. R 157

Requested 1987-88	\$101,240,000
Estimated 1986-87	98,569,000
Actual 1985-86	56,697,000
Requested increase (excluding amount for salary increases) \$2,671,000 (+2.7 percent)	
Total recommended reduction	43,197,000
Total recommendation pending	414,000

1987-88 FUNDING BY ITEM AND SOURCE

Item—Description	Fund	Amount
3860-001-001—Support	General	\$29,027,000
3860-001-036—Flood control	General, Special Account for Capital Outlay	4,500,000
3860-001-140—Urban creeks, riparian vegetation	Environmental License Plate	500,000
3860-001-144—Agricultural water conservation, water resources planning	California Water	2,379,000
3860-001-740—Water conservation	1984 Clean Water Bond	101,000
3860-001-744—Water conservation, groundwater recharge	1986 Water Conservation and Water Quality Bond	416,000
3860-001-890—Support	Federal Trust	(919,000)
3860-001-940—Water conservation	Renewable Resources In- vestment	1,361,000
3860-011-144—Fund transfer	California Water	(1,000,000)
Reimbursements	—	7,106,000
Total, Support		\$45,390,000
3860-101-001—Local assistance delta levee subven- tions	General	\$1,700,000
3860-101-036—Local assistance flood control sub- ventions	General, Special Account for Capital Outlay	11,400,000
3860-101-744—Water conservation, groundwater recharge	1986 Water Conservation and Water Quality Bond	42,750,000
3860-490—Reappropriation, water conservation loans	1984 Clean Water Bond	(10,000,000)
Total, Local Assistance		\$55,850,000
Total Request		\$101,240,000

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

*Analysis
page*

1. **Water Conservation Loans. Delete Item 3860-101-744.** 469
 Recommend deletion of \$42,750,000 requested from the 1986 Water Conservation and Water Quality Bond Fund because these funds should not be appropriated until the Legislature has approved specific projects.
2. **Safe Drinking Water Program. Recommend adoption of** 470
 supplemental report language directing the department

DEPARTMENT OF WATER RESOURCES—Continued

- take appropriate steps to meet its deadline for financial analysis of loan applications.
3. **Flood Control Maintenance.** *Reduce Item 3860-001-001 by \$125,000.* Recommend reduction because the department has not identified any specific need for these funds. 471
 4. Cherokee Canal. Withhold recommendation on \$200,000 requested for sediment removal, pending review of the proposal by the Department of Fish and Game. 471
 5. **Environmental Impact Report.** *Reduce Item 3860-001-001 by \$100,000.* Recommend reduction because EIR for the Sacramento River Bank Protection Project is funded in the current year. 472
 6. Groundwater Monitoring Program. Recommend the department report at budget hearings on (1) its basis for selecting 13 groundwater basins for further study and (2) groundwater monitoring needs in the Southern District and the cost to respond to those needs. 472
 7. Grasslands Water District Water Quality. Withhold recommendation on \$214,000 requested for water quality monitoring, pending receipt of information concerning the frequency and location of the monitoring, and the local share of the program cost. 473
 8. **Trinity River Management Program.** *Reduce Item 3860-001-001 by \$152,000.* Recommend reduction in state match corresponding to anticipated reduction in federal funds. 474
 9. **CIMIS Project.** *Reduce Item 3860-001-001 by \$70,000.* 474
Recommend reduction because funds no longer needed.

GENERAL PROGRAM STATEMENT

The Department of Water Resources (DWR) (1) protects and manages California's water resources, (2) implements the State Water Resources Development System, including the State Water Project, (3) maintains public safety and prevents damage through flood control operations, supervision of dams, and safe drinking water projects, and (4) furnishes technical services to other agencies.

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 responsibilities for the construction, maintenance, and protection of flood control levees within the Sacramento and San Joaquin River valleys. The department is authorized 2649.2 personnel-years in the current year.

OVERVIEW OF THE BUDGET REQUEST

The Budget Bill proposes expenditures totaling \$101,240,000 from state funds and reimbursements for support for the Department of Water Resources (DWR) and local assistance in 1987-88. This amount is \$2.6 million, or 2.7 percent, above comparable estimated current-year expenditures from these sources. The budget request has been reduced by \$293,000, which is approximately 1 percent of the General Fund support, as a "Special Adjustment".

The budget proposes *total* expenditures of \$732.5 million in 1987-88, an increase of \$39.8 million, or 6 percent, from the current year level. The total includes \$588.5 million in expenditures financed with State Water Project (SWP) funds, \$41.9 million in continuously appropriated funds (primarily bond funds for drinking water loans and grants), and \$919,000 from federal funds. The proposed increase is due primarily to an increase in State Water Project expenditures, which are described in more detail below. Our figure for total expenditures, however, *excludes* \$14.5 million for flood control project capital outlay, which the Governor's Budget shows as part of total expenditures. We address the capital outlay budget request separately in our analysis of Item 3860-301-036.

The expenditure tables that follow have not been adjusted to reflect any potential savings in 1986-87 which may be achieved in response to the Governor's December 22, 1986 directive to state agencies and departments to reduce General Fund expenditures. Table 1 summarizes the staffing and expenditures for the department from 1985-86 through 1987-88. Table 2 shows the department's proposed budget changes, by funding source, in 1987-88.

Table 1
Department of Water Resources
Budget Summary^a
1985-86 through 1987-88
(dollars in thousands)

Program:	Personnel-Years			Expenditures			Percent Change From 1986-87
	Actual	Est.	Prop.	Actual	Est.	Prop.	
	1985-86	1986-87	1987-88	1985-86	1986-87	1987-88	
Continuing formulation of the California Water Plan	216.2	223.7	182.7	\$23,744	\$61,713	\$62,906	1.9%
Implementation of the State Water Resources Development System	1501.2	1498.7	1539.6	521,109	535,889	588,302	9.8
Public safety and prevention of damage (flood control)	220.0	234.0	245.8	40,968	90,273	76,667	-15.7
Services	221.8	226.0	219.3	4,526	4,611	4,934	7.0
Management and administration distributed to other programs	463.1	466.8	468.3	(28,337)	(30,927)	(33,942)	9.7
Undistributed	—	—	—	—	200	—	-100.0
Special Adjustment	—	—	—	—	—	-293	NMF ^b
Totals	2622.3	2649.2	2655.7	\$590,347	\$692,686	\$732,516	5.8%
Funding Sources							
General Fund				\$45,495	\$31,784	\$30,727	-3.3%
Special Account for Capital Outlay				—	11,400	15,900	39.5
California Environmental License Plate Fund				422	150	500	233.0
California Water Fund				27,432	5,854	3,640	-37.8
Clean Water Bond Fund				—	10,216	101	-99.0
1986 Water Conservation and Water Quality Bond Fund ..				—	28,916	43,166	-49.3
State Water Project				500,659	536,476	588,498	9.7
Safe Drinking Water (Bond) Fund				7,704	53,456	40,598	-24.1
Federal Trust Fund				620	6,780	919	-86.4
Federal Offshore Oil Revenues ^c				(—)	(6,000)	(—)	(-100)
Renewable Resources Investment Fund				475	1,361	1,361	—
Reimbursements				7,540	6,293	7,106	12.9

^a Excludes non-State-Water-Project Capital Outlay.

^b Not a meaningful figure.

^c Represents a portion of the state's share of these revenues (included in Federal Funds total to reconcile with Governor's Budget display).

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 \$588.5 million for construction, operation and maintenance of the SWP in 1987–88. The major funding changes proposed for 1987–88 reflect:

- Construction of the East Branch Enlargement in southern California (–\$9 million).
- Completion of the North Bay Aqueduct (–\$12.3 million).
- Reduced construction activity at various facilities (–\$3 million).
- Additional pumping units at the Delta Pumping Plant (\$4.6 million).
- Flood Protection work at Arroyo Pasajero along the California Aqueduct (\$7.3 million).
- Increased power marketing expenses (\$33.9 million).
- Increased maintenance activities (\$6.7 million).
- Increased debt service expenses (\$23.5 million).

ANALYSIS AND RECOMMENDATIONS

We recommend approval of all 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:

- a reduction of \$1,104,000 in costs of sediment removal in flood control channels.
- a reduction of \$216,000 from the General Fund for standby flood-water control at Lake Elsinore.
- a reduction of \$2,214,000 from the California Water Fund due to termination of the Los Banos desalting facility.
- a reduction of \$338,000 from the General Fund to eliminate water reclamation studies.
- an increase of \$350,000 from the Environmental License Plate Fund for grants to public agencies and nonprofit organizations for urban stream restoration projects.
- an increase of \$480,000 from the General Fund for equipment and rental costs (\$380), dam safety operations (\$50,000) and replacement of equipment to measure snowpack characteristics (\$50,000).

In addition to the changes listed above, we recommend approval of the following request:

- Reappropriation in Item 3860-490 of unspent funds for water conservation loans from the 1984 Clean Water Bond Fund. The 1986 Budget Act appropriated \$10 million to the department for this purpose. The department currently is reviewing loan applications and cannot estimate how much of the loan funds will be committed prior to June 30, 1987.

Table 2
Department of Water Resources
Proposed 1987-88 Budget Changes ^a
(dollars in thousands)

	General Fund	Calif. Water Fund	Bond Funds ^b	State Water Project Funds	Other Special Funds ^c	Federal Funds and Reimburse- ments	Totals
1986-87 Expenditures (Revised)	\$31,784	\$5,854	\$92,588	\$536,476	\$12,911	\$13,073	\$692,686
Proposed Changes:							
A. Workload Changes and Adminis- trative Adjustments:							
1. Retirement contribution rate reduction	(-312)	—	—	-1,583	—	—	-1,583
2. Pro rata and Special Adjust- ments	-495	—	—	-1,025	—	—	-1,520
3. Deletion of one-time expendi- tures and miscellaneous work- load changes	-1,470	—	-115	—	—	952	-733
B. State Water Project Changes	—	—	—	54,630	—	—	54,630
C. Program Changes:							
1. Trinity River management	122	—	—	—	—	—	122
2. Sediment removal in flood con- trol channels	396	—	—	—	4,500	-6,000 ^d	-1,104
3. Flood Control EIRs	150	—	—	—	—	—	150
4. Water conservation and groundwater recharge loans	—	—	14,250	—	—	—	14,250
5. Safe drinking water loans and grants	—	—	-12,858	—	—	—	-12,858
6. Water conservation loans	—	—	-10,000	—	—	—	-10,000
7. Lake Elsinore flood control	-216	—	—	—	—	—	-216
8. Los Banos desalting facility ter- minated	—	-2,214	—	—	—	—	-2,214
9. Increase groundwater quality analysis	100	—	—	—	—	—	100
10. Grasslands Water District wa- ter quality monitoring	214	—	—	—	—	—	214
11. Water reclamation program terminated	-338	—	—	—	—	—	-338
12. Urban streams restoration pro- gram	—	—	—	—	350	—	350
13. Increase in equipment and op- erating expenditures	480	—	—	—	—	—	480
1987-88 Expenditures (Proposed)	\$30,727	\$3,640	\$83,865	\$588,498	\$17,761	\$8,025	\$732,516
Change from 1986-87:							
Amount	-1,057	-2,214	-8,723	52,022	-4,850	-5,048	39,830
Percent	-3.3%	-38%	9.4%	9.7%	38%	-39%	5.75%

^a Excludes non-State Water Project Capital Outlay.

^b 1984 State Clean Water Bond fund, 1986 Water Conservation and Water Quality Bond Fund, and California Safe Drinking Water (Bond) Fund.

^c Special Account for Capital Outlay, Environmental License Plate Fund, and Renewable Resources Investment Fund.

^d Funds from the state's share of federal offshore oil revenues.

Bond Fund Appropriation Premature

We recommend deletion of \$42,750,000 requested from the 1986 Water Conservation and Water Quality Bond Fund to provide loans to public agencies for the construction of water conservation and groundwater re-

DEPARTMENT OF WATER RESOURCES—Continued

charge projects because the appropriation is premature until legislation is enacted authorizing specific loans. (Delete Item 3860-101-744.)

The budget requests a total of \$43,166,000 from the 1986 Water Conservation and Water Quality Bond Fund, \$42,750,000 for loans and \$416,000 for staff support. The bond act which created this fund was approved by the voters in the June 1986 primary election and provides a total of \$75 million for loans to help public agencies construct water conservation and groundwater recharge projects.

The bond act appropriated the entire \$75 million to the department for 1986-87 only, but the department does not plan to commit any of the loan funds in the current year. In order to use any of these funds in 1987-88 and subsequent years, the bond act requires the department to obtain approval of specific loan requests through separate legislation. Since the Legislature has not authorized any loans at this time, a budget appropriation is premature. We therefore recommend deletion of \$42,750,000 requested for loans. We recommend approval, however, of Item 3860-001-744, which provides \$416,000 for staff support in order to enable the department to evaluate loan proposals.

Safe Drinking Water Loan Program Significantly Delayed

We recommend that the Legislature adopt supplemental report language directing the department to take appropriate steps to meet its 90-day deadline for financial analysis of applications for Safe Drinking Water loans.

The Safe Drinking Water Bond Act of 1984 provided \$75 million for loans (\$50 million) and grants (\$25 million) to help water suppliers meet state health standards for drinking water. In addition, the voters recently approved the Safe Drinking Water Bond Act of 1986, which provided an additional \$100 million in bond funds for the same program. These bond funds are continuously appropriated to the department. The budget indicates that the department will spend \$40.5 million for the Safe Drinking Water program in 1987-88.

The bond acts require the Department of Health Services (DHS) to review the loan and grant applications and rank them according to the severity of the potential public health threat addressed by each proposed project. The Department of Water Resources (DWR) then evaluates the financial status of water suppliers in order to determine their eligibility for loans and grants.

Contractor Bottleneck. Under its own regulations, DWR must complete its financial review of applications within 90 days after DHS completes its health review. As of January 1987, DWR had received 91 applications under the 1984 bond program that had been approved by the DHS. The 90-day review deadline had been exceeded on 61 of these applications (51 were three or more months overdue and some were up to 11 months overdue).

The department indicates that these delays are attributable to the consulting company with which it contracts to perform these analyses, and that this consultant is the only one available with sufficient expertise to conduct the financial analyses at a cost that is within the limit set by the act. The department, however, is paying only \$10,000 annually for this consultant. Since the two bond acts provide a total of \$4 million to the department for administrative costs (over the life of the program), fund-

ing limitations seem to be an unlikely reason for the delays. If other qualified consultants are not available, the department should develop the required expertise in-house, rather than continuing to incur substantial delays in allocating the loan and grant funds.

In addition, the delays now occurring in the Safe Drinking Water program also may affect applications for assistance under the Water Conservation and Water Quality Bond Act of 1986 (\$75 million), unless the department acts to speed up the evaluation process.

Accordingly, we recommend that the Legislature adopt the following supplemental report language directing the department to take the necessary steps to meet its 90-day deadline for financial analysis of loan applicants:

"It is the intent of the Legislature that the Department of Water Resources take appropriate steps (such as obtaining additional consultants or staff) to meet its 90-day deadline for completing financial analyses of loan applications under the Safe Drinking Water and the Water Conservation and Ground Water Recharge loan programs. The department shall submit a report by September 15, 1987 to the fiscal committees and the Joint Legislative Budget Committee on its actions to comply with this provision."

Additional Flood Channel Maintenance Not Justified

We recommend a reduction of \$125,000 from the General Fund requested for general flood control maintenance because the department has not justified the request (Reduce Item 3860-001-001 by \$125,000).

For the past several years, the department has budgeted \$375,000 from the General Fund for ongoing sediment removal at the Tisdale Weir in Yolo County. The department now indicates that it will not need these funds for any work at Tisdale Weir in 1987-88, and is proposing, instead, to use the \$375,000 for (1) a study to reassess the Sacramento River Flood Control System in the Sacramento metropolitan area (\$250,000), and (2) an increase in its ongoing maintenance work on flood control channels (\$125,000).

The purpose of the flood control study is to evaluate, in light of the 1986 flood experience, the integrity of the existing levee system and determine if improvements are necessary. This will be a joint effort with the U.S. Army Corps of Engineers, which is contributing \$600,000. This proposal appears reasonable.

The department, however, has not justified its request for \$125,000 for additional flood-control maintenance. It has not identified any specific maintenance needs that cannot be addressed within existing funds—\$3.9 million. Accordingly, we recommend a reduction of \$125,000.

Wildlife Considerations May Affect Funding Needs for Cherokee Canal

We withhold recommendation on \$200,000 and 0.5 personnel-years of staff requested for sediment removal in Cherokee Canal, pending review of the proposal by the Department of Fish and Game and a response by the Department of Water Resources.

The budget requests 0.5 personnel year and \$200,000 from the General Fund for removal of sediment in the Cherokee Canal, located in Butte County. The canal is part of the Sacramento River Flood Control Project, which the department operates and maintains. Sediment buildup has caused water flows in the canal to exceed its design capacity and this could

DEPARTMENT OF WATER RESOURCES—Continued

result in levee breaks or levee overtopping.

MOU with the Department of Fish and Game. The Department of Fish and Game (DFG) and DWR have signed a Memorandum of Understanding which requires DWR to submit its project plans for streambed maintenance to DFG. The DFG then reviews the projects and makes recommendations, if necessary, for minimizing any adverse impacts on fish and wildlife. The proposed Cherokee Canal project is subject to this review process.

A preliminary review of the Cherokee Canal project by DFG indicates that the project would result in the destruction of significant riparian vegetation and marsh lands that provide fish and wildlife habitat. The DFG plans to conduct a more thorough review of the project by March. In similar situations in past years, DFG has recommended that DWR extend the work over several years in order to minimize adverse impacts on fish and wildlife. If that action is taken on the Cherokee project, the department would not need the full amount requested for 1987–88. Accordingly, we withhold recommendation on \$200,000 and 0.5 personnel-year requested for the Cherokee Canal, pending completion of DFG's project review and a response by DWR.

Environmental Impact Report Already Funded

We recommend a reduction of \$100,000 requested to prepare an Environmental Impact Report (EIR) for the Sacramento River Bank Protection Project, because funding for the EIR is provided in the current year (Reduce Item 3860-001-001 by \$100,000).

The budget requests \$150,000 from the General Fund to prepare two Environmental Impact Reports (EIRs) for flood control projects on the Sacramento River. One EIR would apply to the Sacramento River Bank Protection Project (\$100,000) and the other to the Chico Landing-Red Bluff Project (\$50,000). Each project involves construction of bank erosion control works, which requires the removal of riparian vegetation.

The Reclamation Board, which is the state sponsor for both projects, has determined that each project needs an EIR. The board advises, however, that it will complete the EIR for the Sacramento River Bank Protection Project in the current year, using \$92,000 provided by the 1986 Budget Act. Thus, the \$100,000 requested for this purpose in 1987–88 should be deleted.

Groundwater Monitoring Program—Is It Focused On Priority Basins?

We recommend that the department report at budget hearings on (1) its basis for selecting the thirteen groundwater basins it is studying and (2) groundwater monitoring needs in the department's Southern District and the cost to respond to those needs.

The budget requests \$500,000 from the General Fund for the second year of a groundwater quality assessment and monitoring program, an increase of \$100,000 from the current year. Of this amount, \$300,000 would finance groundwater quality evaluations in the Central District, and the remaining \$200,000 would provide similar evaluations in the San Joaquin District. The Central District consists of the central Sierras, the lower Sacramento Valley, Napa and Solano counties and the San Francisco Bay area. The San Joaquin District covers the San Joaquin Valley and the area west to Monterey County.

In the current year, the department has developed a statewide database

for groundwater monitoring activities being conducted by local, state, and federal agencies. The department also has begun evaluating existing data on the hydrogeology, land use, population, and water quality of 13 of the 357 groundwater basins in the state. In the budget year, the department plans to begin its own program of groundwater monitoring in selected basins.

The Supplemental Report of the 1986 Budget Act directed the department to report to the Legislature by December 15, 1986 on (1) the department's role in groundwater monitoring, (2) which basins the department plans to study and the relative priority of each basin, and (3) the monitoring activities of other agencies in each of these basins.

In its report, the department indicates that its role in groundwater monitoring will be to assess the water quality of high-priority groundwater basins, and to develop baseline water quality monitoring programs for those basins. The department's activities will be closely coordinated with the activities of other agencies, which are identified in the report. The report, however, fails to explain the basis for the department's selection of the 13 basins included in its program.

According to its report, one of the agencies with which the department must coordinate its activities is the State Water Resources Control Board (SWRCB), which is the state's lead agency for protecting water quality. The SWRCB compiled a list in 1986 which identifies the five highest priority groundwater basins in each of the nine water quality regions. The basins generally were chosen on the basis of actual or threatened groundwater contamination, and the value of the groundwater basin as a water supply.

DWR Program Not Consistent With SWRCB Priority List. Of the thirteen groundwater basins the department has chosen to study, only four are on the SWRCB priority list (Kern County basin, Sacramento Valley basin, Alameda Bay Plain, and Santa Rosa Plain). Although the department is proposing to allocate the majority of the requested \$500,000 for evaluations of these four basins, it is still not apparent why any funds should be spent for the other nine basins. In addition, the SWRCB priority list includes 25 high-priority basins in the department's Southern District—three times as many as in any of the department's other districts. Nevertheless, the department has no plans to study any of the basins in that district. (The Southern District generally includes the area of the state south of the Tehachapi Mountains.)

On this basis, we recommend that the department explain during budget hearings why it is proposing to study groundwater basins that are not on the board's priority list and why only basins in the Central and San Joaquin Districts are being studied.

Grasslands Water District

We withhold recommendation on \$214,000 requested from the General Fund for water quality monitoring in the Grasslands Water District, pending receipt of information concerning the location and frequency of the monitoring, and the local share of the program costs.

The budget requests \$214,000 from the General Fund for water quality monitoring for the Grasslands Water District Facility Improvement Project, which is located in western Merced County. The Legislature has appropriated a total of \$2,085,000 over the last two years for the state's share (90 percent) of the cost of the project, which is designed to improve the quality of the water supply for wetlands in the Grasslands Water

DEPARTMENT OF WATER RESOURCES—Continued**District.**

The department's proposal does not indicate the number of sites that will be monitored or the frequency of the monitoring. In addition, the proposal does not specify how much the local agencies will contribute. Without this information, we have no basis to recommend approval of this request. We therefore withhold recommendation pending receipt of this information.

Trinity River Management Program Overbudgeted

We recommend that \$152,000 of the \$550,000 requested from the General Fund for the Trinity River Management Program be deleted because it exceeds the department's 7.5 percent share of program costs (Reduce Item 3860-001-001 by \$152,000).

The budget requests \$550,000 for the department's share of the Trinity River Management Program. The federal Trinity River Management Act of 1984 authorized the Trinity River Management Program to restore fish and wildlife resources that have been adversely affected by (1) federal water facilities that have diverted flows from the Trinity River to the Sacramento River and (2) past logging practices. This 10-year project has an estimated total cost of \$55 million.

The U.S. Bureau of Reclamation provides 85 percent of the project costs and the state provides the remaining 15 percent. The DWR and the Department of Fish and Game have each agreed to pay 7.5 percent of the total annual cost of the project.

The department's request for \$550,000 was based on a preliminary estimate of the Bureau's funding request. The President's Budget, however, proposes \$5,305,000 for the total program costs in federal fiscal year 1988. The state's share will be equal to 15 percent of the amount expended by the federal government. Consequently, DWR's share (7.5 percent) will be \$398,000—which is \$152,000 less than the amount requested.

CIMIS Savings Expected

We recommend a reduction of \$70,000 from the California Water Fund for the California Irrigation Management Information System because these funds are not needed in 1987–88. (Reduce Item 3860-001-144 by \$70,000.)

The budget requests \$1,602,000 from the California Water Fund for the California Irrigation Management Information System (CIMIS) in 1987–88, which will be the third and final year of the pilot program. The CIMIS program disseminates computer-generated information on irrigation scheduling to the agricultural community in order to increase irrigation efficiency, thus reducing farm costs and conserving water and energy.

As part of the program, the department contracts with the University of California for maintenance of the statewide weather station network. The department indicates that contract costs for this program in 1987–88 will decline by \$70,000 because of improved efficiency in maintenance of the weather station network. Consequently, the budget should be reduced by that amount.

DEPARTMENT OF WATER RESOURCES—CAPITAL OUTLAY

Items 3860-301 and 3860-491
from the General Fund, Special
Account for Capital Out-
lay

Budget p. R 174

Requested 1987-88	\$14,500,000
Recommended approval	6,442,000
Recommended reduction	1,608,000
Recommended augmentation	125,000
Net recommended approval	6,567,000
Recommendation pending	6,450,000

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

Analysis
page

1. Sacramento River Bank Protection Project. Recommend the department and the Reclamation Board report at hearings on the expected increase in environmental mitigation costs and their plan to increase the effectiveness of the mitigation measures. 476
2. **Sacramento River Bank Protection Project. Reduce by \$808,000.** Recommend reduction to reflect decrease in required state share of project costs. 477
3. Fairfield Vicinity Streams Project. Withhold recommendation on \$4,150,000 requested for state share of project cost, pending a final decision by the Corps of Engineers on the amount of state and local funds needed in 1987-88. 478
4. **San Joaquin River Channel Project. Increase by \$125,000.** Recommend (1) augmentation to provide the state's share of project costs, (2) adoption of Budget Bill language prohibiting expenditure of funds until there is a local sponsor, and (3) the department and the Reclamation Board report at hearings on the additional cost for wildlife enhancement. 478
5. Merced County Streams Project. Withhold recommendation on \$2.3 million, pending a final decision by the Corps of Engineers on the state and local funds needed in 1987-88, and a determination that the local project sponsor is willing to assume any required increased costs. 480
6. **Sutter Bypass-Weir No. 2 Replacement. Delete \$800,000.** Recommend deletion because the department is not ready for construction in 1987-88. 481
7. Yuba River Debris Control Project. Recommend approval. 481
8. Cache Slough Project. Recommend approval. 481
9. M&T Flood Relief Structure. Recommend (1) approval of \$1.3 million and (2) adoption of Budget Bill language authorizing the Reclamation Board to proceed with the project. 482

DEPARTMENT OF WATER RESOURCES—CAPITAL OUTLAY—Continued**OVERVIEW OF THE BUDGET REQUEST**

The budget requests \$12,850,000 from the Special Account for Capital Outlay (SAFCO) to fund eight projects in 1987–88. In addition, the budget proposes to reappropriate \$1,650,000 originally appropriated from the SAFCO by the Budget Act of 1985 for the Merced Streams Improvement Project. Therefore, the amount of capital outlay funds requested totals \$14,500,000.

ANALYSIS AND RECOMMENDATIONS**Mitigation for Sacramento River Bank Protection Project**

We recommend that the department and the Reclamation Board report at budget hearings on (1) the expected increase in mitigation costs for past and future bank protection work and the projected financing and (2) the steps being taken to increase the effectiveness of the mitigation measures.

The Supplemental Report of the 1985 Budget Act directed the department to provide the Legislature with information by February 15, 1986 on the environmental mitigation measures required for the Sacramento River Bank Protection Project, and a plan for financing the mitigation measures. The department has not responded to this directive and does not have a schedule to prepare a response. Since the Legislature requested this information, however, several changes have occurred which are likely to increase the mitigation costs associated with this project as discussed below.

Background. The Sacramento River Bank Protection Project was authorized by state law in 1960 in order to construct bank erosion control works along the Sacramento River from Collinsville upstream to the vicinity of Chico. The primary environmental impact of the project involves the placement of rock work on the river banks, which destroys riparian vegetation that provided nesting and feeding habitat for wildlife. Mitigation for this type of impact generally includes acquisition of substitute lands which have riparian vegetation.

The Sacramento River Bank Protection Project consists of two phases, both covering the same area along the river. The federal government only authorized funds to mitigate the environmental impacts of Phase II, permitting up to an additional 10 percent of the total project costs to be spent for this purpose. Approximately 250 acres of riparian land have been acquired as part of Phase II mitigation.

Past Mitigation Efforts Ineffective. According to a study just released by the U.S. Fish and Wildlife Service (USFWS), a large portion of the mitigation efforts have not been successful primarily because of the failure of the State Reclamation Board to protect the lands from encroachment and incompatible development on adjacent property. The USFWS recommended transferring this responsibility to the Wildlife Conservation Board, which has greater expertise in this area and lower overhead costs.

Additional Mitigation May be Required. Last year the State Lands Commission required the Reclamation Board, as a condition of receiving a construction permit, to prepare an Environmental Impact Report (EIR) for the entire bank protection project, including past and future work. A draft EIR is scheduled to be completed by March 1987 and the final EIR by December 1987. Costs under Phase II could increase if the mitigation

measures identified in the EIR exceed 10 percent of the total project cost for past and future work.

Also, last year the federal government authorized for the first time, funding for mitigation measures associated with Phase I of the project. A total of \$1.4 million was authorized, \$890,000 in federal funds and a required state match of \$520,000. Since the federal funds have not been appropriated, the Corps of Engineers cannot estimate when the \$520,000 in matching funds will be needed from the state. The Corps of Engineers, however, indicates that the \$1.4 million authorized to date will only pay for 38 percent of the required mitigation lands.

In summary, it appears that the mitigation costs associated with the Sacramento River Bank Protection Project are likely to increase substantially in the near future. We therefore recommend that the department and the Reclamation Board report at budget hearings, after the draft EIR is released, on (1) the amount of any additional mitigation costs that may be required for Phases I and II of the project, (2) the scheduling of those costs, and (3) the steps being taken to increase the effectiveness of the mitigation measures.

(1) Sacramento River Bank Protection Project\$4,230,000

We recommend a reduction of \$808,000 for the Sacramento River Bank Protection Project due to a reduction in the state's share of project costs. (Reduce Item 3860-301-036(1) by \$808,000)

The budget request \$4.2 million to continue the Sacramento River Bank Protection Project which protects the existing levee system of the Sacramento River and its tributaries. An additional 7.6 miles of bank work is scheduled for 1987-88.

New Cost-Sharing Formula. The State Reclamation Board, as the nonfederal participant, and the U.S. Army Corps of Engineers share the cost of this project. According to an initial interpretation of the federal Water Resources Development Act of 1986 by the Corps of Engineers, the new cost-sharing formula in that act will govern the amount required from the state for this and other projects beginning in 1987-88. The department's budget request, however, is based on the previous cost-sharing formula.

In the case of this project, the new formula *reduces* the state's share from 33 percent to 25 percent of total project costs. (The impact of this new formula on state costs varies, as discussed later in this analysis.) The state is responsible for acquiring lands, easements, rights-of-way, and paying for the cost of relocating structures and utilities. If these expenditures do not meet the 25 percent matching requirement, the state must make up the difference in cash payments to the Corps of Engineers.

State Funds Overbudgeted. State funding requirements for this project are based on the amount of federal funds requested. The President's Budget includes \$9.5 million for bank protection work in federal fiscal year 1988, which begins October 1987. Therefore, based on the new 75-25 cost-sharing formula the state's required contribution in 1987-88 would be only \$3,167,000. In addition, according to the Corps of Engineers, the state will owe the federal government \$255,000 on June 30, 1987 to meet the full required state share of past project costs. Thus, the total appropriation needed for the budget year is \$3,422,000—\$808,000 less than the amount requested.

DEPARTMENT OF WATER RESOURCES—CAPITAL OUTLAY—Continued**(2) Fairfield Vicinity Streams Project.....\$4,150,000**

We withhold recommendation on \$4,150,000 for this project, pending a final decision by the Corps of Engineers concerning the effect of the Federal Water Resources Development Act of 1986 on state and local project costs.

The budget requests \$4,150,000 for the second year of the three-year Fairfield Vicinity Streams Project. The project was authorized by the federal Flood Control Act of 1970 and by Section 12667 of the State Water Code. The funds will be used to pay the state's share of the cost of lands, easements, rights-of-way, and relocations.

The cost of this project is shared between the federal, state, and local governments (City of Fairfield and Suisun City). The nonfederal share of the total project costs must be *at least* 25 percent and consist of (1) all lands, easements, rights-of-way, and relocations (LERRs) and (2) a *minimum* cash payment equal to 5 percent of the project's total cost. Under current state law, the state pays for most (usually about 80 percent) of the cost of LERRs according to a statutory formula. The local participants must cover both the additional cash payments and their share of LERRs.

Changes In the Cost-Sharing Formula. The federal Water Resources Development Act of 1986 appears to have two implications for the state and local costs of this project. First, it limits the nonfederal share to 50 percent of total project costs. This may reduce the nonfederal (including state) costs for the Fairfield project because the cost of LERRs for this project is unusually large (many bridges and roads must be relocated) and may exceed 50 percent of the total project cost. Second, it reduces the amount of prior expenditures that can be claimed by the two cities to meet their minimum cash contribution. This change could require the cities to make an additional cash payment if the amount of credit allowed is less than the minimum payment of 5 percent of total project costs. The Corps of Engineers' preliminary opinion is that the new time limit will *not* affect the Fairfield project, but a final interpretation will not be made until this spring.

The changes made by the Water Resources Development Act of 1986 may affect the amount of state funds needed in 1987-88 and the ability of the local sponsors to finance their share of the cost. We therefore withhold recommendation on the \$4,150,000 requested for the Fairfield project, pending a final determination by the Corps of Engineers on the effect of the act on state and local costs.

(3) San Joaquin River Channel Project..... \$100,000

We recommend (1) an augmentation of \$125,000 from the Special Account for Capital Outlay to provide the required state share of construction costs for the San Joaquin River Channel Project and (2) adoption of Budget Bill language prohibiting expenditure of any funds until a local project sponsor commits to funding the local share of the project's costs. We further recommend the department and the Reclamation Board report at budget hearings on the additional funding needed to provide wildlife enhancement. (Increase Item 3860-301-036(3) by \$125,000.)

The budget requests \$100,000 to continue the San Joaquin River Channel Project, which was authorized by federal Public Law 98-63 and by Ch 1530/84. The project consists generally of removing vegetation and sedi-

ment to increase the flow capacity of the channel and thereby reduce the chance of levee failure or seepage.

Project Requirements are an Exception to the Rule. State law regarding this project is unusual for two reasons. First, it requires the State Reclamation Board to pay for operation and maintenance of the project until a local agency is formed to assume these responsibilities. Operation and maintenance of other flood control projects whose benefits are primarily local in nature have been a local responsibility.

Second, Chapter 1530 requires environmental mitigation with the objective of net long-term enhancement to be included in the assurance agreement (the project contract) between the Reclamation Board and the federal government. This is the only flood control project sponsored by the Reclamation Board that requires *enhancement* of the riparian habitats and fisheries in the project area. Normally, only *mitigation* is required under the California Environmental Quality Act (CEQA).

Budget Request is Insufficient. Under current law governing flood control projects, the state pays most of the cost of lands, easements, rights-of-way, and relocations, and local participants pay the remaining amount. The budget requests \$100,000 for the state's share of the nonfederal project costs. Based on information from the Corps of Engineers, the state's share of the costs in 1987-88 for lands, easements, rights-of-way, and relocation is estimated to be \$190,000—\$90,000 more than requested. This amount, however, does not provide for the acquisition of approximately 15 acres of land, at a total cost of \$47,000 to mitigate the impacts of construction planned in 1987-88. As part of the lands required for the project, the state's share of this cost would be \$35,000 (75 percent) under the statutory formula. Therefore, to fund the state's share of the project costs in 1987-88, including mitigation but not enhancement, an additional \$125,000 is needed, for a total cost of \$225,000. The cost for enhancement has not been estimated by the Corps or the Reclamation Board.

Local Commitment Should Precede State Expenditure. No local public agency has come forward yet to assume the local share of project costs required by state law. The local share of project costs in 1987-88 is estimated to be \$75,000 (\$63,000 for lands, easements, rights-of-ways, and relocations, and \$12,000 for mitigation lands). Costs are expected to increase in the future as the more expensive phases of the project are constructed.

It does not appear likely that a local public agency will accept financial responsibility for the project in the next few months. Nevertheless, in order to be consistent with legislative intent and to enable this project to proceed, if possible, we recommend that the Legislature (1) augment Item 3860-301-036(3) by \$125,000 to cover the state share of the project costs and (2) adopt the following Budget Bill language in Item 3860-301-036(3) to prohibit the expenditure of the funds until a local sponsor agrees to fund the local share of the project costs.

"Prior to encumbrance or expenditure of funds appropriated in category (3) for the San Joaquin Channel Project, a local project sponsor shall sign a contract with the Reclamation Board agreeing to pay the local share of lands, easements, rights-of-way, and relocations including environmental mitigation."

We further recommend that the department and the Reclamation Board report at the time of budget hearings on the expected cost of *enhancing* the riparian habitat and fishery in the project area as required by Chapter 1530.

DEPARTMENT OF WATER RESOURCES—CAPITAL OUTLAY—Continued**(4) Merced County Streams Project**

Item 3860-301-036(4) 650,000

Item 3860-491 Reappropriation.....1,650,000**Total.....\$2,300,000**

We withhold recommendation on \$2,300,000 requested for the Merced County Streams Project pending (1) a final decision by the Corps of Engineers on the effect of the Water Resources Development Act on this project's funding and (2) a determination as to whether Merced County will be willing to assume any required increase in the local share of the cost.

The budget requests a total of \$2.3 million for the Merced County Streams Project in 1987–88. This amount consists of a new appropriation of \$650,000, and a reappropriation for one year of \$1,650,000 (both from the Special Account for Capital Outlay). The project was authorized by the federal Flood Control Act of 1970 and by Section 12667 of the State Water Code. The requested funds will be used to pay the state's share of lands, easements, rights-of-way, and relocation costs, and to loan Merced County its share of the project costs as authorized by state law. The \$2.3 million requested for 1987–88 represents the first phase of (Castle Reservoir) of a potential four-year project consisting of four reservoirs. According to the Corps of Engineers, however, Castle Reservoir may be the only reservoir built because of the high cost of the full project.

Cost-Sharing Formula Changes. The federal government has been responsible for 75 percent of the project cost and the nonfederal sponsors (the Reclamation Board and Merced County) have been responsible for the remaining 25 percent of the cost. The federal Water Resources Development Act of 1986 appears to revise the cost-sharing formula in a manner which could increase state and local costs for Castle Reservoir by approximately \$700,000.

The new cost-sharing formula requires a *minimum* nonfederal contribution of 25 percent of the total project costs. The nonfederal share also must cover the cost of all lands, easements, rights-of-way, and relocations (LERRs), and include a *minimum* cash payment equal to 5 percent of the total project costs. The effect of this change on the Merced project is that, instead of paying only 25 percent of the project costs, the nonfederal costs will increase to 32 percent (27 percent for the estimated cost for LERRs and 5 percent for the required cash payment). The total cost for Castle Reservoir is approximately \$10 million. Therefore, the nonfederal share will increase from \$2.5 million to \$3.2 million—an increase of \$700,000.

Under existing state law, if the new formula is applied to the Merced project, Merced County would be responsible for the additional cash payment equal to 5 percent of the project costs (approximately \$500,000). (The state shares only in the costs associated with LERRs.)

If the changes made by the federal Water Resources Development Act apply to the Merced project, the \$2.3 million requested will not be sufficient to pay the state share of the project costs and to provide funds for the proposed loan to Merced County for its share of the project costs. We therefore withhold recommendation on the \$2.3 million requested for this project in Items 3860-301-036(4) and 3860-491, pending a final determination by the Corps of Engineers of the Act's effect on this project and a determination by Merced County as to whether it will be willing to repay

a loan for any required increase in its cost-share.

(5) Sutter Bypass-Weir No. 2 Replacement \$800,000

We recommend deletion of \$800,000 requested for the Sutter Bypass-Weir No. 2 replacement because the funding is premature. (Delete Item 3860-301-036(5)).

The budget requests \$800,000 to replace Weir No. 2 and a fish ladder in the Sutter Bypass. The purpose of the weir is to regulate the flow of water to nearby agricultural lands and to the Sutter National Wildlife Refuge. The funds are for removing the existing structures and constructing a new weir and fish ladder.

The department's request for \$800,000 is based on preliminary designs. The department, however, has since determined that the project should be postponed in order to allow time to develop a final design that satisfies both the Department of Water Resources and the Department of Fish and Game. Therefore, we recommend deletion of the \$800,000 requested for this project because the department does not have a final design and will not be ready to proceed with construction in 1987-88.

(6) Yuba River Debris Control Project \$300,000

We recommend approval.

The budget requests \$300,000 for bank protection work as part of the Yuba River Debris Control Project. The project was authorized in the federal River and Harbor Act of 1902, and by Sections 340 to 342 of the State Water Code. The purpose of the project is to prevent mining debris from moving downstream into the Feather and Sacramento Rivers and obstructing flood flows in those channels. This is done through a series of dikes, small check dams, and bank protection in order to keep the Yuba River confined to its present channel. The state and federal governments share equally in construction and ongoing maintenance.

The \$300,000 would be used to pay half the cost of bank protection repair work on approximately 2,000 lineal feet of the Yuba River. The department indicates that the heavy storms of 1986 eroded this area of the bank which if not repaired could result in the river course moving into a secondary channel and transporting debris downstream.

We recommend approval of the requested \$300,000 because the project appears justified and the amount reflects the appropriate state share of project costs in 1987-88.

(7) Cache Slough Project \$1,320,000

We recommend approval.

The budget requests \$1,320,000 for the Cache Slough Project. This project is a portion of the Sacramento River Flood Control Project, which provides for construction of levees, weirs, and bypass channels to control flood waters in the Sacramento Valley. The Sacramento River Flood Control Project was authorized by the federal Flood Control Act of 1941, and by Section 12648 of the State Water Code. The Cache Slough Project involves the construction of a new levee and repair of an existing substandard levee. The state provides funds to acquire lands, easements, and rights-of-way, as well as to relocate structures and utilities. The federal government pays for project construction.

The project appears justified and reflects the appropriate state share of project costs in 1987-88.

DEPARTMENT OF WATER RESOURCES—CAPITAL OUTLAY—Continued**(8) M&T Flood Relief Structure\$1,300,000**

We recommend (1) approval of \$1.3 million requested for construction work associated with the M&T Flood Relief Structure, and (2) adoption of Budget Bill Language authorizing the Reclamation Board to proceed with this project.

The budget requests \$1.3 million to repair the M&T Flood Relief Structure and acquire 600 acres of adjoining land to assure the integrity of the structure.

The M&T Flood Relief Structure (FRS) is part of the Sacramento River Flood Control Project and is located between the Sacramento River and the Butte Basin south of Chico. The purpose of the FRS is to allow some of the water in the Sacramento River to flow into the Butte Basin during periods of high flow in the river, thus reducing the water level in the river downstream of the FRS and preventing overtopping and breakage of the downstream levees.

The flood flows of 1986 caused severe damage to the soil on the Butte Basin side of the M&T structure, which seriously threatened its integrity. A hole approximately 30 feet deep was created because the soil structure had been loosened as a result of the land being cultivated. The board proposes to acquire 600 acres of agricultural land at the outlet of the FRS in order to ensure that it is not planted with crops which could loosen the soil and cause severe erosion when water flows through the area. The land will be leased for continued agricultural use, subject to the board's restrictions.

Project Authorization Should Be Clarified. It is not clear whether the Reclamation Board currently has the authority to repair the FRS. The board's legal staff indicates that the board can do the work as maintenance of an existing structure. The Attorney General's Office has made a preliminary determination that the board does not have the authority to proceed because the project involves construction. Under current law, the board may acquire lands and operate and maintain the Sacramento River Flood Control Project, but the federal government is usually responsible for construction. This FRS, however, was not authorized by Congress as part of the Sacramento River Flood Control Project. Therefore, the federal government is not willing to participate in the project.

Our analysis indicates that the project is justified and the amount requested appears reasonable. Therefore, in order for the repair work and land acquisition to proceed in 1987-88 we recommend (1) approval of the \$1.3 million requested, and (2) adoption of the following Budget Bill language in Item 3860-301-036(8) to clarify the board's authority to conduct the work:

"The Reclamation Board is authorized to construct, repair and operate the M&T Flood Relief Structure as part of the Sacramento River Flood Control Project."

Resources Agency
STATE WATER RESOURCES CONTROL BOARD

Item 3940 from the General
 Fund and various other funds

Budget p. R 176

Requested 1987-88	\$111,828,000
Estimated 1986-87	49,508,000
Actual 1985-86	32,481,000
Requested increase (excluding amount for salary increases) \$62,320,000 (+ 126 percent)	
Total recommended reduction	68,000,000
Recommendation pending	8,873,000

1987-88 FUNDING BY ITEM AND SOURCE

Item—Description	Fund	Amount
3940-001-001—Support	General Fund	\$29,193,000
3940-001-014—Hazardous waste site closure	General, Hazardous Waste Control Account	451,000
3940-001-475—Underground tank permits	Underground Storage Tank	1,188,000
3940-001-476—Underground tank inventory	General, Underground Con- tainer Inventory Account	66,000
3940-001-482—Toxic pits regulation	General, Surface Impound- ment Assessment Account	2,013,000
3940-001-740—Support	1984 State Clean Water Bond	521,000
3940-001-744—Support	1986 Water Conservtion and Water Quality Bond	82,000
3940-001-890—Support	Federal Trust	(17,570,000)
3940-101-744—Local assistance	1986 Water Conservation and Water Quality Bond	68,000,000
3940-101-890—Local assistance	Federal Trust	(182,000)
Reimbursements	—	10,314,000
Total		\$111,828,000

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

*Analysis
page*

1. Budget Display. Recommend (1) the board report prior to budget hearings on its estimated 1987-88 water quality expenditures by specified budget categories and (2) adoption of supplemental report language directing the Department of Finance to display water quality program expenditures in these categories in the 1988-89 Governor's Budget. 487
2. Water Quality Permit Fees. Withhold recommendation on (1) a proposed funding switch of \$5.5 million from the General Fund to reimbursements (fee revenues) for support of water quality permitting activities and (2) a proposed increase of \$300,000 from reimbursements and six personnel-years, pending receipt and analysis of a specific fee proposal from the board. 488
3. Water Rights Permit Fees. Withhold recommendation on (1) a proposed funding switch of \$1.7 million from the General Fund to reimbursements (fee revenues) for support of 489

STATE WATER RESOURCES CONTROL BOARD—Continued

- water rights activities and (2) a proposed increase of \$100,000 and two personnel-years of staff from fee reimbursements for fee collection activities, pending receipt and analysis of a specific fee proposal from the board.
4. **Agricultural Drainage Loans. Delete Item 3940-101-744.** 490
Recommend deletion of \$68 million requested from 1986 Water Conservation and Water Quality Bond Fund because these funds should not be appropriated until the Legislature has approved specific projects.
 5. **Underground Tank Cleanup Oversight.** Recommend 491
enactment of legislation to authorize fees and cost recoveries from the owners of leaking underground tanks in order to provide the state and regional boards with sufficient resources to oversee the cleanup of all sites with leaking underground tanks. Further recommend that this legislation authorize the board to (a) borrow up to \$8 million from the General Fund in 1987-88 in anticipation of future fee revenues and cost recoveries in order to avoid delays in cleaning up leak sites and (b) contract with local governments to oversee site cleanups for which they have the technical expertise.
 6. **Tank Permit Program.** Withhold recommendation on 493
Item 3940-001-475 (\$1,188,000), pending receipt and analysis of the board's (1) report on the status of surcharge fee collections and (2) updated estimate of its 1987-88 regulatory costs.
 7. **Nitrate Use.** Recommend supplemental report language 494
directing the Board in conjunction with the Departments of Food and Agriculture and Health Services to (1) evaluate the need for regulation of agricultural use of nitrates; and (2) recommend actions to protect drinking water from nitrate contamination.
 8. **Data Processing.** Withhold recommendation on \$85,000 496
requested from reimbursements to add 1.4 personnel-years for water quality data processing, pending receipt and review of the board's proposal.

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 also implements 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 staggered four-year terms. The state board and the regional boards are authorized a combined total of 938.9 personnel-years in the current year, of which 453.8 personnel-years are allocated to the regional boards and 485.1 personnel-years are allocated to the state board.

OVERVIEW OF THE BUDGET REQUEST

The budget proposes expenditures totaling \$111,828,000 from the General Fund, other state funds, and reimbursements for the State Water Resources Control Board (SWRCB) in 1987-88. The requested amount is \$62.3 million, or 126 percent, above comparable estimated expenditures

Table 1
State Water Resources Control Board
Budget Summary
1985-86 through 1987-88
(dollars in thousands)

Program	Personnel-Years			Expenditures			Percent Change From 1986-87
	Actual 1985-86	Est. 1986-87	Prop. 1987-88	Actual 1985-86	Est. 1986-87	Prop. 1987-88	
Water Quality							
Regulation.....	361.0	484.5	509.3	\$29,551	\$39,216	\$39,247	—
Planning	30.4	50.6	48.6	5,993	7,702	7,682	-0.3%
Facility development assistance	118.5	119.5	121.1	55,970	83,153	144,691	74.0
Research and technical assistance	92.5	76.0	76.0	3,125	3,736	3,736	—
Subtotals	602.4	730.6	755.0	\$94,639	\$133,807	\$195,356	46.0%
Water Rights							
Water appropriation.....	53.8	51.1	51.1	\$3,545	\$3,411	\$3,473	1.8%
Water management/enforcement	22.5	25.5	29.0	2,137	1,960	2,045	4.3
Determination of existing rights	4.9	4.8	4.8	397	358	358	—
Technical assistance	18.4	18.8	18.9	926	1,219	1,076	-11.7
Subtotals	99.6	100.2	103.8	\$7,005	\$6,948	\$6,952	0.1%
Special Adjustment.....	—	—	—	—	—	-\$295	NMF ^b
Administration ^a	93.6	108.1	116.7	(\$5,842)	(\$6,818)	(\$6,835)	-5.6%
Totals	795.6	938.9	975.5	\$101,644	\$140,755	\$202,013	43.5%
Funding Sources							
General Fund.....				\$29,389	\$35,921	\$29,193	18.7%
Hazardous Waste Control Account.....				445	547	451	-17.6
Underground Tank Storage Fund.....				423	1,136	1,188	4.6
Underground Container Inventory Account				174	10	66	560.0
Surface Impoundment Assessment Account				271	1,908	2,013	5.5
State Water Quality Control Fund.....				37	1,240	1,240	0.0
State Clean Water Bond Fund				54,894	57,427	26,193	-54.4
1984 State Clean Water Bond Fund.....				810	15,418	45,521	195.3
1986 Water Conservation and Water Quality Bond Fund				—	6,918	63,082	884.1
Federal Trust Fund				13,736	17,580	17,752	1.0
Reimbursements				2,465	2,650	10,314	289.2

^a Costs are allocated to other programs.

^b Not a meaningful figure.

STATE WATER RESOURCES CONTROL BOARD—Continued

in the current year. The increase is due almost entirely to a proposed increase of \$61.2 million from the 1986 Water Conservation and Water Quality Bond Fund to provide loans for projects to treat, store, or dispose of agricultural drainage water. Excluding this one-time appropriation, the board's proposed expenditures for ongoing programs increase by \$1.2 million, or 2.9 percent, above comparable expenditures in the current year. The budget has been reduced by \$295,000, which is approximately 1 percent of the General Fund support, as a "Special Adjustment."

The expenditure tables which follow have not been adjusted to reflect any potential savings in 1986-87 which may be achieved in response to the Governor's December 22, 1986 directive to state agencies and departments to reduce General Fund expenditures.

The budget proposes *total* expenditures by the board from all sources, including Clean Water bond funds and federal funds, of \$202,013,000. This is an increase of \$61.3 million, or 44 percent, above estimated total expenditures in the current year. The total includes \$72.4 million of continuously appropriated funds. Of this amount, \$66.2 million is for loans and grants to local agencies for wastewater facilities and water conservation projects and \$6.2 million is for support of the board. Essentially all of this money is from bond funds.

Table 1 summarizes the staffing and expenditures for the SWRCB during the period 1985-86 through 1987-88.

Proposed Budget Changes

Table 2 shows the changes in the SWRCB's proposed budget for 1987-88, by funding source.

Table 2
State Water Resources Control Board
Proposed 1987-88 Budget Changes
(dollars in thousands)

	<i>General Fund</i>	<i>Other^a state funds</i>	<i>Federal Trust Fund</i>	<i>Reimburse- ments</i>	<i>Totals</i>
1986-87 Expenditures (Revised)	\$35,921	\$84,604	\$17,580	\$2,650	\$140,755
A. Administrative adjustments	-366	-1,014	172	-21	-1,229
B. Special Adjustment	-295	—	—	—	-295
C. Program changes					
1. Continue increase in enforcement activities (25.7 PYs)	(1,521)	—	—	—	(1,521)
2. Continue annual waste discharge compliance inspections (24.8 PYs)	(1,577)	—	—	—	(1,577)
3. Continue oversight of local pre-treatment programs (13.8 PYs) ..	(633)	—	—	—	(633)
4. Board support and loans for agricultural drainage water projects	—	61,164	—	—	61,164
5. Increase waste discharge fees and decrease General Fund support (includes \$300,000 and 6 PYs for administration of fees)	-5,500	—	—	5,800	300
6. Increase water rights fees and decrease General Fund support (includes \$100,000 and 2 PYs for administration of fees)	-1,700	—	—	1,800	100

7. Full-year implementation of well contamination program	1,133	—	—	—	1,133
8. Water quality data entry services	—	—	—	85	85
1987-88 Expenditures (Proposed)	\$29,193	\$144,754	\$17,752	\$10,314	\$202,013
Changes from 1986-87:					
Amount	-\$6,728	\$60,150	\$172	\$7,664	\$61,258
Percent	18.7%	71.7%	1.0%	289.2%	43.5%

^a Underground Tank Storage Fund, the Underground Container Inventory Account in the General Fund, the Surface Impoundment Assessment Account in the General Fund, State Clean Water Bond Fund, 1984 State Clean Water Bond Fund, and the 1986 Water Conservation and Water Quality Bond 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).

Enforcement. The budget requests \$1,521,000 and 25.7 personnel-years (PYs) to continue additional enforcement efforts to protect water quality.

Compliance. The budget requests \$1,577,000 and 24.8 PYs to continue implementation of an expanded compliance inspection program to (1) inspect all waste dischargers at least annually, (2) provide more frequent inspections when necessary, and (3) standardize inspection procedures.

Pretreatment. The budget requests \$633,000 and 13.8 PYs to continue implementation of Ch 1542/84, which established the board's pretreatment program. This program evaluates and assists local agencies' efforts to establish and enforce pretreatment requirements for industrial wastewater discharges to public treatment facilities.

Legislature Needs Better Budget Information For Water Quality Programs

We recommend that the board report prior to budget hearings on its estimated 1987-88 water quality expenditures and that the Legislature adopt supplemental report language directing the Department of Finance to display water quality program expenditures in specified categories in the 1988-89 Governor's Budget.

The Governor's Budget indicates that the board plans to spend \$50.7 million in 1986-87 for activities related to water quality (other than financial assistance for wastewater treatment facilities). The funds are budgeted in three program elements—Regulation (\$39.2 million), Planning (\$7.7 million), and Research and Technical Assistance (\$3.7 million).

This budget structure does not provide the Legislature with the information it needs to oversee the board's implementation of laws to protect water quality or prevent toxic contamination. For example, funding and staff for issuing waste discharge permits, overseeing the cleanup of leaking underground tanks, investigating contaminated well sites, and regulating toxic pits are aggregated with other tasks in the Regulation program element. Identifying some specific functions is further complicated because funding and staff are split among all three of the program elements. This is the case, for example, for activities related to monitoring water for toxic contamination.

The board has provided estimates of funding and staff for specific functions on request, but since these estimates are not part of the board's

STATE WATER RESOURCES CONTROL BOARD—Continued

regular budget system, they provide little accountability or control. These informal estimates also are difficult to reconcile with total budget figures and do not provide reliable year-to-year comparisons.

The board, however, does maintain detailed records that allocate its personnel-years among more than 100 specific tasks. These task listings (1) are too detailed for use as an oversight tool and (2) do not include estimated expenditures. Nevertheless, these task listings could be used as a starting point to develop a more detailed and useful display in the Governor's Budget. The following budget categories would provide the Legislature with a more useful display of information for water quality activities:

1. Enforcement
2. Permitting
3. Surveillance and Monitoring
4. Prevention of Toxic Contamination
 - a. Underground tanks
 - b. Toxic pits
 - c. Well investigations
 - d. Other, such as assistance to the Department of Health Services
5. Planning
6. Facility Development Assistance

The board should be able to provide an initial estimate of expenditures in these categories by the time of budget hearings, using its existing system of task listings.

Accordingly, we recommend that the board report prior to budget hearings on its estimated 1987-88 expenditures by the program categories listed above, using the current task listings, and that the Legislature adopt the following supplemental report language directing the Department of Finance to display water quality program activities in the 1988-89 budget:

"The State Water Resources Control Board shall develop budget procedures to account for water quality expenditures in the following categories: enforcement, permitting, surveillance and monitoring, prevention of toxic contamination, planning, and wastewater treatment facility development. The Department of Finance shall display the board's budget in these categories in the 1988-89 Governor's Budget."

Fee Proposals Are Not Adequately Developed

The budget proposes to replace \$7.2 million of the board's General Fund support with revenue from increased or new fees for water quality (\$5.5 million) and water rights (\$1.7 million) activities. In addition, \$400,000 of additional fee revenue would be used to add eight staff to collect and account for the fee revenue. In general, we believe that the board's proposal has merit. We cannot recommend approval at this time, however, because the fee proposals still are in the initial stage of development.

Water Quality Permit Fees

We withhold recommendation on (1) the proposed funding switch of \$5.5 million from the General Fund to reimbursements (fee revenues) for support of water quality permitting activities and (2) an increase of \$300,000 and six personnel-years to collect fees, pending receipt and analysis of a specific fee proposal from the board.

The budget proposes to replace \$5.5 million of General Fund support now used to administer, monitor, and enforce waste discharge permits

with revenue from fee increases and new fees. The budget also proposes an increase of \$300,000 from fee revenues for six personnel-years (PYs) of new staff to provide administrative and accounting support for the new fee system. Consequently, the budget proposes total increased fee revenue of \$5.8 million for water quality permitting. These fee revenues are budgeted as reimbursements. The board plans to increase fee revenues by (1) increasing existing fees for waste discharge permits for an additional \$4.2 million and (2) requiring permitted dischargers to pay a new *annual* fee for an additional \$1.6 million.

The board plans to spend about \$13.9 million in 1987-88 to issue permits for new waste dischargers (\$6.7 million) and to inspect and monitor current permittees (\$7.2 million). The board currently charges a fee ranging from \$250 to \$10,000 for a new waste discharge permit or for a permit revision required by a change in a waste discharge. The amount of the fee depends on the amount and type of discharge. The board expects to receive approximately \$730,000 from these permit fees in the current year. The budget proposal would increase the percentage of fee support for waste discharge permit activities from 5 percent to 45 percent.

Current law allows the board to increase its existing permit and permit revision fees to a maximum of \$50,000 per permit or revision. Legislation will be needed, however, to impose an annual fee on waste dischargers. The board has not yet developed a new schedule for its existing fees, nor has it put forward any specific proposal for annual fees. The board indicates, however, that, in addition to an annual permit fee, it is considering charging fees for (1) reviewing self-monitoring reports, (2) conducting inspections and (3) updating and reviewing permits even when no change in the discharge occurs.

Without a specific and detailed proposal, however, we cannot evaluate the budget's estimate of fee revenues or advise the Legislature as to whether the board's fee proposal is feasible or appropriate. In addition, without a specific proposal, we cannot evaluate the need for additional staff to collect and account for fees. Accordingly, we withhold recommendation on (1) the proposed funding switch of \$5.5 million from the General Fund to reimbursements (fee revenues) for support of water quality permitting activities, and (2) the increase of \$300,000 in reimbursements for additional fee collection staff.

Water Rights Permit Fees Proposal Not Fully Developed

We withhold recommendation on (1) a proposed funding switch of \$1.7 million from the General Fund to reimbursements (fee revenues) for support of water rights activities and (2) an increase of \$100,000 and 2 personnel-years for additional fee collection activities, pending receipt and analysis of a specific fee proposal from the board.

The budget proposes to replace \$1.7 million of General Fund support for water rights activities with additional fee revenue (budgeted as reimbursements). The budget also proposes to use \$100,000 of increased fee revenue to fund two personnel-years (PYs) of additional staff for fee collection activities. The total increase in water rights fees, therefore, would be \$1.8 million. Currently, the General Fund provides about 90 percent (\$6.3 million) of the total \$7 million annual cost of the Water Rights Program. The proposed fee increases would reduce General Fund support to \$4.5 million, or 65 percent, of program costs.

The board plans to increase fees by (1) increasing existing water rights permit application fees—for an additional \$400,000 and (2) charging a new

STATE WATER RESOURCES CONTROL BOARD—Continued

annual fee to water rights permittees to generate \$1.4 million annually. Both of these changes will require legislation.

Persons who wish to divert surface water, or water in subterranean streams must apply to the board for a permit and license to appropriate the water. The board then determines, through an adjudication process, whether unappropriated water is available, taking into account the amounts of remaining flow needed for beneficial uses which are in the public interest.

Existing law (Ch 819/85) establishes a fee schedule based on the amount of water that will be used. The rate is \$10 for each cubic foot per second (CFS) to be diverted, up to 100 CFS. The rate increases to \$20 per CFS for diversions of 2,000 CFS and more. There is a minimum fee of \$100. The applicant must pay an annual fee equal to the amount of the original application fee if action on the application is being delayed at the applicant's own request. The board expects to receive approximately \$113,000 from these fees in the current year.

The board has not yet developed a new fee schedule, nor specified which activities the board will charge for on an annual basis. In the absence of a specific proposal, we cannot evaluate the budget's estimate of projected fee revenues or advise the Legislature as to whether the new fee schedule is appropriate or feasible. Accordingly, we withhold recommendation on (1) the proposed funding switch of \$1.7 million from the General Fund to reimbursements (fee revenues) for support of water rights activities and (2) the increase of \$100,000 in reimbursements for two PYs and related costs to collect and account for fees.

Bond Fund Appropriation Premature

We recommend deletion of \$68 million requested from the 1986 Water Conservation and Water Quality Bond Fund to provide loans to public agencies for the construction of agricultural drainage projects because the appropriation is premature until legislation is enacted authorizing specific loans. (Delete Item 3940-101-744.)

The budget requests a total of \$68,082,000 in the budget year from the 1986 Water Conservation and Water Quality Bond Fund. This bond act, which was approved by the voters in the June 1986 primary election, provides a total of \$75 million to the board for loans to public agencies for the construction of agricultural drainage projects. The budget request consists of \$68 million for loans and \$82,000 for staff support at the board. The budget estimates that the board will spend \$6,918,000 from the bond funds in the current year for loans and administrative costs, so the amount requested in the budget is the entire remaining balance in the fund.

Recently, the board granted tentative approval to approximately \$50 million in projects. Many of these projects will receive small loans in the early years for feasibility and other studies. In contrast to the budget request, the board currently expects to provide about \$3 million in loans in the current year and about \$14 million of loans in 1987-88. These estimates, however, are preliminary and subject to change as the board evaluates the loan proposals further.

The bond act appropriated the entire \$75 million to the board for 1986-87. The board, as noted above, however, does not plan to use most of the bond money in the current year. In order to use any of the remaining funds in 1987-88 and subsequent years, the board must obtain legislative

approval of the specific loan requests and a new appropriation. The bond act also requires the board to provide the Legislature with an annual report and a priority list of projects *prior* to legislative approval of any loans. Since the Legislature has not received the annual report or authorized any loans at this time, a budget appropriation is premature. We therefore recommend deletion of \$68 million requested for loans to public agencies for the construction of agricultural drainage projects. We recommend approval, however, of Item 3940-001-744, in order to provide the board with staff to evaluate loan proposals.

Underground Tank Program Still Not Off the Ground

We recommend that the Legislature enact legislation to authorize fees and cost recoveries from the owners of leaking underground tanks in order to provide the state and regional boards with sufficient resources to oversee the cleanup of all sites with leaking underground tanks. We further recommend that this legislation authorize the board to (a) borrow up to \$8 million from the General Fund in 1987-88, in anticipation of future fee revenues and cost recoveries, in order to avoid delays in cleaning up leak sites and (b) contract with local governments to oversee site cleanups for which they have the technical expertise.

The board's budget request for 1987-88 includes approximately \$2.8 million from the General Fund and 46.4 personnel-years to enforce regulations and orders regarding underground storage tanks and to oversee the cleanup of underground tank leaks. This staffing level is the same as in 1985-86 and the current year. The budget also includes \$1.2 million from the Underground Tank Storage Fund to continue the current level of technical assistance to local governments in issuing permits for underground tanks.

Local Government's Role. The budget assumes that local governments will oversee cleanups of contamination from leaking underground tanks at all sites where no groundwater contamination has been detected. State law, however, does not specifically require local governments to take any enforcement or cleanup action when underground tank leaks are reported, nor does the law provide specific statutory authority or funding for local enforcement actions.

Legislative Action in 1985 and 1986. For the past two years, the Legislature has provided substantial General Fund augmentations to the board (\$7.7 million in the current year), for board staff or contracts with local governments to oversee the cleanup of all leak sites. The Governor has vetoed these General Fund augmentations. Instead, the administration last year proposed a new bond act to fund toxics programs and requested \$12.5 million from those bond funds for subventions to local governments for overseeing the cleanup of leaking tank sites. The Legislature did not approve the Governor's bond proposal. Despite these past difference, however, both the Legislature and the administration have recognized that the cleanup of leaking tanks is a significant problem that merits additional resources.

Current Status. Based on its experience, the board estimates that there are about 12,500 sites statewide where underground storage tanks are leaking and that about 9,300 (75 percent) of these sites involve contamination of groundwater. The board indicates that 987 cases of leaking underground tanks have been reported to the regional water quality control boards in the first six months of the current year. Precise data are not available on the number of reports filed prior to the current year, but the

STATE WATER RESOURCES CONTROL BOARD—Continued

state board estimates that the regional boards have a total of 1,900 sites (including the 987 recently reported) that require cleanup. The state board also indicates that with current staffing levels, it and the regional boards are able to oversee a caseload of approximately 750 tank site cleanups. Thus, there are about 1,150 reported cases of leaking underground tanks that the state and regional boards currently are unable to address.

The board expects cleanups to be completed at approximately 136 of these sites by the end of the current year. Consequently, the backlog is growing because the number of new cases already reported to the regional boards is seven times greater than the expected number of completed cleanups for this year. If reports of additional leak sites continue at the same rate as during the first half of the year, the unaddressed backlog could grow to more than 2,000 sites by July 1987.

Many local governments which have established a permitting program also oversee the cleanup of underground tank leaks. These efforts, however, generally are limited to sites with minor soil contamination, although some of the larger, urban counties have been willing to oversee the cleanup of more significant leaks. The board is unable to estimate the number of additional leak sites that local governments are addressing.

Augmentation Still Needed. We estimate that the board would need an augmentation of \$8 million and 143 personnel-years to oversee the cleanup of leaking underground tanks in 1987-88. This estimate uses the same methodology that we used in our past recommendations which provided the basis for the Legislature's previous augmentations (please see our Supplemental Analysis of April 23, 1986 for more details). Our estimate of the money and personnel needed is based on (1) workload factors supplied by several regional boards and (2) the state board's estimates of (a) the number of leak sites and (b) the proportions of the sites that will fall within several classes of severity of contamination. Our cost estimate takes into account the sites that the board advises would be cleaned up in the current year. As in our recommendation last year, we estimate that nine years will be required to complete cleanups of all leak sites, although costs in the later years should decrease substantially.

Previously, we have recommended General Fund augmentations to fund the oversight of underground tank cleanups. As an alternative, we now recommend that legislation be enacted to allow the board to charge the owners of leaking underground tanks for the cost of overseeing the cleanup. This policy would be consistent with the state's funding policy for cleanup oversight at other toxic contamination sites. The state initially funds most of its cost of overseeing the cleanup of hazardous waste sites from funds provided by the Hazardous Substances Cleanup Bond Act. The bond act, for example, requires that bond funds used to oversee and clean up hazardous waste sites be repaid by reimbursements from responsible parties who contaminated the site and from fees assessed upon firms that dispose of hazardous wastes. These sources should be sufficient to repay the bond funds. If revenues are insufficient, however, then there will be a net cost to the General Fund.

We have estimated the size of fees that owners of individual tanks would have to pay in order to fully support the cleanup program, based on an estimate of the costs incurred by the state and regional boards to oversee cleanup of sites with minor, moderate, major, and severe levels of contamination. We estimate that this cost would average \$6,500 per site, within a range of \$4,000 at sites where only minor contamination has

occurred to approximately \$17,000 where leaks have contaminated groundwater. These fees would be considerably less than the actual clean-up cost in most cases. In order to simplify accounting needs and reduce administrative costs, standard fees could be established for sites which have minor levels of contamination, while the costs to oversee sites with more significant contamination could be recovered on a reimbursement basis.

Conclusion. In order to provide the board with the additional resources needed to oversee the cleanup of leaking underground tanks in a manner consistent with the funding of other toxic cleanup programs, we recommend that the Legislature enact legislation to authorize fees and cost recoveries from the owners of leaking underground tanks in order to provide the state and regional boards with sufficient resources to oversee the cleanup of all sites with leaking underground tanks. We further recommend that this legislation authorize the board to (a) borrow up to \$8 million from the General Fund in 1987-88 in anticipation of future fee revenues and cost recoveries in order to avoid delays in cleaning up leak sites and (b) contract with local governments to oversee site cleanups for which they have the technical expertise.

Revenues and Cost Uncertain for Tank Permit Program

We withhold recommendation on Item 3940-001-475, pending receipt and analysis of (1) the board's comprehensive report to the Legislature on the status of surcharge fee collections and (2) the board's updated estimate of its permit program costs during 1987-88.

The budget requests \$1,188,000 in Item 3940-001-475 from the Underground Tank Storage Fund (UTSF) to fund activities related to the permitting of underground storage tanks in 1987-88. This amount is essentially the same as the amount provided for the program in the current year. Chapter 1046/83 requires operators of underground tanks to obtain a permit from the city or county in which the tank is located. The operator must pay a permit fee that includes a surcharge to cover the board's cost of implementing Chapter 1046. The surcharge is set annually in the Budget Act. The surcharge amount proposed in the 1987 Budget Bill (Provision 1 of Item 3940-001-475) is \$56, the same as in the current year.

The board's role in the permit program involves (1) setting standards for tank design, construction, and leak detection, (2) providing technical assistance to local agencies, (3) reviewing requests for variances, (4) reviewing local requests to impose additional design and construction standards, and (5) maintaining an inventory of all permitted tanks. The permit program does not include overseeing the cleanup of leaking tanks.

Fee Receipts in 1985-86 are Below Expectations. The board expected to receive about \$1.2 million in cumulative revenue from the surcharge in 1984-85 and 1985-86. It actually received however, only about half of this amount, or \$638,494 for the two-year period. As a result, the board has had to defer work on its tank inventory and reduce its technical assistance efforts.

In response to the shortfall in surcharge revenue, the Legislature last year adopted supplemental report language directing the board to submit a quarterly report on surcharge revenues. The board submitted its first report, which cited the revenue shortfall through 1985-86, in October 1986. A more comprehensive report addressing current-year revenue was due January 1, 1987. This report also will provide estimates of the amount of surcharge payments owed to the state by each county or city and

STATE WATER RESOURCES CONTROL BOARD—Continued

compare this amount to actual collections. At the time this analysis was written, the Legislature had not received the report.

Uncertain Costs. There also is uncertainty concerning the program's costs in 1987-88. The board's request for \$1,188,000 includes approximately \$600,000 to maintain an inventory of permitted tanks. Preliminary estimates, however, suggest that the cost of the inventory will be less than \$400,000. Thus, the amount needed may be at least \$200,000 less than requested.

If the board's experience with fee collections in 1985-86 is indicative of what is to come in 1987-88, the surcharge established in the Budget Bill will fall short of funding the proposed appropriation from UTSF. On the other hand, the board may not need the full amount budgeted from the UTSF. Therefore, we withhold recommendation on Item 3940-001-475, including Provision 1, which establishes the underground tank surcharge fee for 1987-88, pending receipt and analysis of (1) the comprehensive report on surcharge fees including the current year revenues and (2) an updated estimate of the program's costs in 1987-88.

Unregulated Nitrates Contaminate Wells

We recommend that the Legislature adopt supplemental report language directing the Water Resources Control Board, with the assistance of the Departments of Food and Agriculture and Health Services to (1) evaluate the need for regulation of agricultural use of nitrates and (2) recommend actions needed to protect drinking water from nitrate contamination.

The board's primary responsibility is the protection of the state's surface and ground waters. The board regulates the discharge of potentially harmful contaminants into water through permits that restrict the allowable discharge. The board currently does not regulate the use of most agricultural nitrates, such as fertilizers, although it recently required some dairy farms to control the nitrate contamination from animal wastes.

The Department of Health Services (DHS) has primary responsibility for ensuring that drinking water supplies meet state and federal standards, and it can require closure of contaminated wells. The federal standard for nitrates in drinking water is 45 milligrams per liter. Water that exceeds this standard can cause death in infants less than six months old.

The DHS indicates that 75 drinking water systems have one or more wells with excessive nitrate concentrations. Table 3 identifies the location of these systems by county. As the table indicates, most of the contaminated water systems are in counties with significant agricultural activities. Most of these systems must find a substitute source of water (DHS has allowed some of the systems to mix the contaminated water with uncontaminated water to meet the nitrate standard). Once a well is contaminated with nitrates, the water cannot be used for human consumption until the nitrate level in the water supplied to consumers is reduced. Thus, nitrate contamination can result in the loss of drinking water supplies.

Staff of DHS indicate that agricultural use of nitrates is a major source of nitrate contamination in drinking water supplies. Nevertheless, despite the closure of contaminated wells, the board has not regulated most agricultural use of nitrates. While we recognize that regulating the agricultural use of nitrates is a complex issue, its public health implications are such that the board should address the problem.

Table 3
Drinking Water Systems With Wells That
Exceed the Nitrate Drinking Water Standard
1986 ^a

<i>County</i>	<i>Number of Systems Exceeding Stand- ard</i>
Contra Costa.....	2
Kern	5
Merced	1
Monterey	20
Riverside	12
San Joaquin	2
Santa Barbara	2
Santa Clara	2
Santa Cruz	1
Sutter	3
Tulare	21
Ventura	4
Total	75

^a Source: Department of Health Services

The board has not formally evaluated the nitrate problem to determine if additional regulatory action is needed to prevent nitrate contamination. It should do so. The Departments of Food and Agriculture and Health Services also should participate in this effort. Accordingly, we recommend adoption of the following supplemental report language:

"The State Water Resources Control Board, with the assistance of the Departments of Food and Agriculture and Health Services shall report to the Legislature by March 1, 1988, on (1) the need for regulation of the use of nitrates, and (2) recommend state actions to protect drinking water from nitrate contamination."

Estimate of Toxic Pits In State Is Reduced

The budget requests \$2,013,000 from the Surface Impoundment Assessment Account (which receives fee revenues) and 24.2 personnel-years for the regulation of surface impoundments (toxic pits). Chapter 1543/84 established a program to regulate toxic pits. After June 30, 1988, the law prohibits the disposal of liquid hazardous wastes in any toxic pit within one-half mile of a potential source of drinking water, unless the board has granted an exemption for that pit. Disposal of liquid hazardous wastes will be prohibited in any toxic pit which lacks monitoring and leakage prevention equipment after January 1, 1989.

In our *Analysis of the 1986 Budget Bill* (please see page 591), we observed that the implementation of the toxic pits program appeared to be bogged down. Fee revenues were far short of expectations. As a result, the board had delayed hiring most of the staff for the program. At that time, it was not clear whether the revenue shortfall reflected (1) poor implementation and compliance or (2) a much smaller number of facilities subject to the law than the board originally had estimated.

The 1986 Budget Act appropriated \$600,000 from the General Fund to the board in the current year to investigate and resolve this issue. As a result of this investigation, it now appears that the board's initial estimate

STATE WATER RESOURCES CONTROL BOARD—Continued

of the number of toxic pits was more than three times too large. The number of toxic pits probably is closer to 300 than the original estimate of 1,077. The board will have a better estimate of the number of toxic pits in the state when these investigations are completed at the end of the current year.

No Proposal For Data Base System

We withhold recommendation on \$85,000 requested from increased reimbursements to add 1.4 personnel-years for water quality data processing, pending receipt and review of the board's proposal.

The budget requests \$85,000 from increased reimbursements to support 1.4 personnel-years to enter biological and water-quality data into a national data-base system. No information was available on this proposal at the time this analysis was prepared. Consequently, we withhold recommendation on the \$85,000 in increased reimbursements for water quality data processing, pending receipt and review of the board's proposal.

Health and Welfare Agency**STATE COUNCIL ON DEVELOPMENTAL DISABILITIES AND
AREA BOARDS ON DEVELOPMENTAL DISABILITIES**

Item 4100 from the Federal
Trust Fund and Item 4110
from reimbursements

Budget p. HW 1

Requested 1987-88	\$3,993,000
Estimated 1986-87	4,185,000
Actual 1985-86	3,921,000
Requested decrease (excluding amount for salary increases) \$192,000 (-4.6 percent)	
Total recommended reduction	None

1987-88 FUNDING BY ITEM AND SOURCE

Item—Description	Fund	Amount
4100-001-890—State Council on Developmental Disabilities	Federal	\$3,993,000
—Support		(860,000)
—Community program development		(2,783,000)
—Allocation to area boards		(350,000)
4100-001-001—Area Boards on Developmental Disabilities	Reimbursements	0

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

Analysis
page

1. We make no recommendation on the proposal to eliminate the Area Boards on Developmental Disabilities because there is no analytical basis for determining whether area board services are more or less valuable than other services purchased by the state.

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