



## MAJOR ISSUES

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***State Lacks Long-Term Plans to Protect Resources and Acquire Habitat.*** The state lacks long-term plans for the conservation and management of its land resources, as well as the acquisition and restoration of habitat and open space. The development of such plans would help identify the state's goals relative to land resources conservation, improve the coordination of the state's land resources programs, and enable the Legislature to assess the state's habitat and open space acquisition needs. (See pages B-13 through B-17.)

***Land Acquisition for Natural Community Conservation Planning (NCCP) Needs Legislative Review.*** The budget requests \$600,000 for local grants and \$4.4 million for land acquisition for the NCCP pilot program. However, the proposed expenditures for land acquisition represent a significant change in the state's role in the pilot. The Legislature should reevaluate the state's role in this program. (See page B-60.)

***Expansion of Pre-fire Management Initiative Is Premature.*** The Department of Forestry and Fire Protection's proposal to expand a pre-fire management initiative is premature because the department has not yet completed a pilot program to test the effectiveness of the initiative or evaluated its results. We offer some criteria for the Legislature to use when evaluating this initiative. (See page B-51.)

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**Pesticides Department Will Soon Face Major Funding Shortfall.** The Department of Pesticide Regulation's support from a mill tax on pesticide sales will decrease by almost 80 percent with the scheduled reduction in the tax rate on July 1, 1997. At current expenditure levels, the department will face a major funding shortfall beginning in 1998-99. (See page B-83.)

**Future Direction of Underground Tank Program Uncertain.** The State Water Resources Control Board (SWRCB) is reviewing the standards for the cleanup of leaking underground petroleum storage tanks. In light of a recent study which found that the environmental impact from leaking tanks may not be as great as once thought, the board could make significant changes to this program which would impact costs incurred by both government and tank owners. (See page B-85.)

**Water Board Seeking Stable, Flexible, Long-term Funding Solution.** The SWRCB is funded currently by a complex mix of over 60 fund sources, most of which are special funds with variable revenues and strict limitations on their use. Bond funds that supported high-priority programs—such as the Water Quality Management Program—in the past are almost depleted. Additionally, permit fee revenues from waste dischargers cover only a small portion of the board's administrative costs in its core regulatory program. To address these issues, the board is developing a proposal for a more stable and flexible long-term funding mechanism to support its various programs. (See page B-88.)

**State Liable for Major Cleanup Costs.** The state is liable as a responsible party contributing to contamination at two hazardous waste sites, the Casmalia Resources Hazardous Management Facility and the Stringfellow Federal Superfund Site. The budget proposes over \$30 million from the General Fund to settle the state's liability at Casmalia and as partial payment for cleanup costs at Stringfellow. The ultimate cost to the state of the Stringfellow cleanup could reach hundreds of millions of dollars over many years. (See page B-90.)

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## OVERVIEW

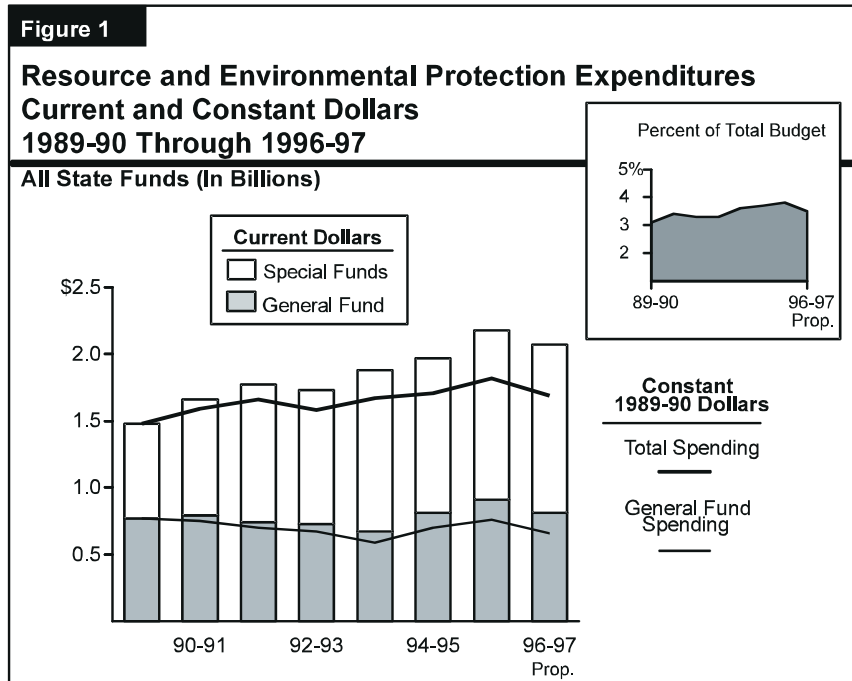
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***The budget proposes a slightly lower level of expenditure for resources and environmental protection programs in 1996-97 compared to the estimated current-year level.***

Expenditures for resources and environmental protection programs are proposed to total \$2.1 billion in 1996-97, which is 3.5 percent of all state-funded expenditures proposed for 1996-97. This level is a decrease of approximately \$109.3 million, or 5 percent, below estimated expenditures for the current year. About 61 percent (\$1.3 billion) of state support for these programs will come from special funds, including the Motor Vehicle Account, Environmental License Plate Fund, funds generated by beverage container recycling fees, and an "insurance fund" for the cleanup of leaking underground tanks. The General Fund supports the remaining 39 percent of these expenditures.

Figure 1 (see next page) shows that resources and environmental protection expenditures from all state funds increased by approximately \$586.6 million since 1989-90, representing an average annual increase of approximately 4.9 percent. This increase primarily reflects the establishment of various programs to address environmental problems such as leaking underground tanks, hazardous waste sites, and solid waste generation. When adjusted for inflation, these expenditures increased at an average annual rate of 1.9 percent. General Fund expenditures increased at an average annual rate of about 0.8 percent over this period. When adjusted for inflation, these expenditures decreased at an average rate of 2.1 percent per year.

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## SPENDING BY MAJOR PROGRAMS

Figure 2 shows spending for major *resources* programs—that is, those programs within the jurisdiction of the Secretary for Resources.

Figure 3 (see page 8) shows similar information for major *environmental protection* programs—those programs within the jurisdiction of the Secretary for Environmental Protection and the California Environmental Protection Agency.

**Spending for Resources Programs.** Figure 2 shows that the General Fund provides a relatively small proportion of total support of resources programs except in the case of the California Department of Forestry and Fire Protection (CDFFP) and the Department of Parks and Recreation (DPR). For 1996-97, the budget proposes \$297.2 million (70 percent) of the CDFFP's support and capital outlay expenditures from the General Fund. For the DPR, the General Fund will constitute about 32 percent of the department's expenditures in 1996-97. This is a higher percentage than in recent years due to a proposed budget increase discussed in more detail below.

<b>Figure 2</b>					
<b>Resources Budget Summary</b>					
<b>Selected Funding Sources</b>					
<b>1994-95 Through 1996-97</b>					
<b>(Dollars in Millions)</b>					
<b>Department</b>	<b>Actual 1994-95</b>	<b>Estimated 1995-96</b>	<b>Proposed 1996-97</b>	<b>Change From 1995-96</b>	
				<b>Amount</b>	<b>Percent</b>
<b>Conservation</b>					
General Fund	\$14.5	\$14.8	\$14.9	\$0.1	0.7%
Recycling funds	333.4	366.7	385.4	18.7	5.1
Other funds	12.7	15.6	14.1	-1.5	-9.6
<b>Totals</b>	<b>\$360.6</b>	<b>\$397.1</b>	<b>\$414.4</b>	<b>\$17.3</b>	<b>4.4%</b>
<b>Forestry and Fire Protection</b>					
General Fund	\$310.1	\$289.6	\$297.2	\$7.6	2.6%
Forest Resources Improvement Fund	15.7	14.9	14.6	-0.3	-2.0
Environmental License Plate Fund	4.2	4.0	4.0	—	—
Other funds	106.5	112.2	111.1	-1.1	-1.0
<b>Totals</b>	<b>\$436.5</b>	<b>\$420.7</b>	<b>\$426.9</b>	<b>\$6.2</b>	<b>1.5%</b>
<b>Fish and Game</b>					
General Fund	\$3.1	\$3.1	\$3.2	\$0.1	3.2%
Fish and Game Preservation Fund	71.4	78.4	75.3	-3.1	-4.0
Environmental License Plate Fund	10.6	9.9	10.8	0.9	9.1
Other funds	70.5	76.6	76.7	0.1	0.1
<b>Totals</b>	<b>\$155.6</b>	<b>\$168.0</b>	<b>\$166.0</b>	<b>-\$2.0</b>	<b>-1.2%</b>
<b>Parks and Recreation</b>					
General Fund	\$51.2	\$51.8	\$71.2	\$19.4	37.5%
State Parks and Recreation Fund	80.5	97.1	81.0	-16.1	-16.6
Park bond funds	15.6	46.0	2.9	-43.1	-93.7
Other funds	75.7	77.4	64.6	-12.8	-16.5
<b>Totals</b>	<b>\$223.0</b>	<b>\$272.3</b>	<b>\$219.7</b>	<b>-\$52.6</b>	<b>-19.3%</b>
<b>Water Resources</b>					
General Fund	\$17.7	\$25.4	\$22.6	-\$2.8	-11.0%
State Water Project Funds	743.3	865.1	696.5	-168.6	-19.5
Delta Flood Protection	12.3	9.2	9.1	-0.1	-1.1
Other funds	97.2	76.5	96.9	20.4	26.7
<b>Totals</b>	<b>\$870.5</b>	<b>\$976.2</b>	<b>\$825.1</b>	<b>-\$151.1</b>	<b>-15.5%</b>

<b>Figure 3</b>					
<b>Environmental Protection Budget Summary</b>					
<b>Selected Funding Sources</b>					
<b>1994-95 Through 1996-97</b>					
<b>(Dollars in Millions)</b>					
<b>Department/Board</b>	<b>Actual 1994-95</b>	<b>Estimated 1995-96</b>	<b>Proposed 1996-97</b>	<b>Change From 1995-96</b>	
				<b>Amount</b>	<b>Percent</b>
<b>Air Resources</b>					
Motor Vehicle Account	\$74.0	\$74.5	\$74.1	-\$0.4	-0.5%
Other funds	33.4	41.0	33.9	-7.1	-17.3
<b>Totals</b>	<b>\$107.4</b>	<b>\$115.5</b>	<b>\$108.0</b>	<b>-\$7.5</b>	<b>-6.5%</b>
<b>Integrated Waste Management</b>					
Integrated Waste Management	\$33.1	\$34.3	\$33.6	-\$0.7	-2.0%
California Used Oil Recycling Fund	16.3	25.4	23.8	-1.6	-6.3
Solid Waste Disposal Site Cleanup	5.0	5.0	5.0	—	—
Other funds	9.9	11.3	12.1	0.8	7.1
<b>Totals</b>	<b>\$64.3</b>	<b>\$76.0</b>	<b>\$74.5</b>	<b>-\$1.5</b>	<b>-2.0%</b>
<b>Pesticide Regulation</b>					
General Fund	\$11.2	\$10.8	\$10.8	—	—
Pesticide Regulation Fund	30.8	31.8	31.0	-\$0.8	-2.5%
Others	4.1	5.6	5.4	-0.2	-3.6
<b>Totals</b>	<b>\$46.1</b>	<b>\$48.2</b>	<b>\$47.2</b>	<b>-\$1.0</b>	<b>-2.1%</b>
<b>Water Resources Control</b>					
General Fund	\$28.9	\$28.4	\$28.4	—	—
Underground Storage Tank Cleanup Fund	128.1	143.8	154.0	\$10.2	7.1%
Waste Discharge Permit	10.6	16.9	13.2	-3.7	-21.9
Bond funds	55.4	39.9	37.6	-2.3	-5.8
Other funds	145.5	60.6	57.4	-3.2	-5.3
<b>Totals</b>	<b>\$368.5</b>	<b>\$289.6</b>	<b>\$290.6</b>	<b>\$1.0</b>	<b>0.3%</b>
<b>Toxic Substances Control</b>					
General Fund	\$1.6	\$0.8	\$32.2	\$31.4	3,925.0%
Hazardous Waste Control Account	67.3	62.2	54.4	-7.8	-12.5
Other funds	45.9	56.0	64.7	8.8	15.7
<b>Totals</b>	<b>\$114.8</b>	<b>\$119.0</b>	<b>\$151.3</b>	<b>\$32.3</b>	<b>27.1%</b>

Figure 2 also shows significant decreases in the 1996-97 expenditures of the DPR mainly reflecting a continued depletion of bond funds for local assistance and capital improvement purposes. Similarly, Figure 2 shows a significant reduction in the Department of Water Resources'



(DWR) 1996-97 expenditures. The reduction will be concentrated in capital improvements on the State Water Project.

For the Department of Conservation, the budget proposes to increase expenditures by \$17.3 million over the current-year level. This increase reflects the department's implementation of Ch 624/95 (SB 1178, O'Connell) which modifies the Beverage Container Recycling Program effective January 1, 1996.

**Spending for Environmental Protection Programs.** As Figure 3 shows, the budget proposes slight funding reductions in both the Department of Pesticide Regulation and the California Integrated Waste Management Board (CIWMB)—each by about 2 percent below the current-year level. Funding for the Air Resources Board (ARB) is proposed to decrease by \$7.5 million, primarily due to expiration of a program to pay claims for damages related to the use of board mandated diesel fuel. For the State Water Resources Control Board (SWRCB)—the largest environmental protection program—the budget proposes expenditures of \$290.6 million in 1996-97, essentially the same as the current-year level.

In contrast, expenditures for the Department of Toxic Substances Control (DTSC) are proposed to increase significantly, by \$32.3 million, or 27 percent, mostly from the General Fund. The increase is requested primarily to allow the department to pay for clean up of two hazardous waste disposal sites.

## MAJOR BUDGET CHANGES

Figures 4 and 5 (see pages 10, 11) present the major budget changes in resources and environmental protection programs, respectively.

As Figure 4 shows, the budget proposes \$16.4 million from the General Fund to maintain the current level of operational support of the DPR. In the current year, reserves from the Beverage Container Recycling Fund were used instead. Local assistance, as well as capital improvement of parks, however, are proposed to decline significantly in 1996-97 mainly due to the depletion of bond funds.

For the DWR, the budget proposes to increase local assistance, mainly from bond funds, for safe drinking water projects. The budget also reflects a projected reduction of \$163.5 million in capital improvements on the State Water Project as construction on portions of the project is completed.

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**Figure 4**

**Resources Program  
Proposed Major Changes for 1996-97**

<b>Conservation</b>	<b>Requested: \$414.4 million Increase: \$17.3 million (+4.4%)</b>
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- \$18.7 million in refund and processing fee payments for the Beverage Container Recycling Program



- \$1.7 million in administrative support of Beverage Container Recycling Program

<b>Forestry and Fire Protection</b>	<b>Requested: \$426.9 million Increase: \$6.2 million (+1.5%)</b>
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- \$2.7 million in reimbursed staff costs to reflect cooperative fire protection agreement with local governments
- \$2.0 million for increased costs due to Fair Labor Standards Act lawsuit settlement

<b>Parks and Recreation</b>	<b>Requested: \$219.7 million Decrease: \$52.6 million (-19.3%)</b>
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- \$16.4 million from the General Fund to maintain current support



- \$30.4 million in bond-funded park capital improvement
- \$18.4 million for local park development and operations

<b>Water Resources</b>	<b>Requested: \$825.1 million Decrease: \$151.1 million (-15.5%)</b>
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- \$18.6 million in local safe drinking water projects



- \$163.5 million in State Water Project capital improvements

**Figure 5**

**Environmental Protection Program  
Proposed Major Changes for 1996-97**

**Air Resources Board** Requested: \$108 million  
Decrease: \$7.5 million (-6.5%)



- \$6 million due to completion of program to reimburse owners of diesel-powered engines for repair costs
- \$2.6 million to reflect program efficiencies and reduction of workload and low priority activities

**Integrated Waste Management Board** Requested: \$74.5 million  
Decrease: \$1.5 million (-2%)



- \$2.6 million for loans for recycling market development
- \$1.4 million for grants in the waste tire recycling program



- \$1 million to reflect primarily program efficiencies

**State Water Resources Control Board** Requested: \$290.6 million  
Increase: \$1 million (+0.3%)



- \$10 million for increased claims in the Underground Storage Tank Cleanup Fund Program
- \$2 million to oversee cleanup at leaking underground tank sites



- \$3.8 million in Water Quality Management Program

**Toxic Substances Control** Requested: \$151.3 million  
Increase: \$32.3 million (+27.1%)



- \$30.3 million to clean up Casmalia Resources Hazardous Waste Management Facility and Stringfellow Federal Superfund Site



- \$3.2 million in support for various programs as well as the Department of Health Services due to revenue declines
- \$2.2 million for the Railroad Accident Prevention and Immediate Deployment Program

Figure 5 shows that the budget proposes reductions in both the ARB and the CIWMB to reflect program efficiencies and reduction of workload and other low priority activities. For the SWRCB, the budget requests an additional \$10 million to process and pay claims in the Underground Storage Tank Cleanup Fund Program and an additional \$2 million to oversee cleanup at leaking underground tank sites. At the same time, funding for the Water Quality Management Program is proposed to be reduced due to a lack of funds.

Figure 5 also shows that for the DTSC, the budget requests increases of \$30.3 million from the General Fund to clean up the Casmalia Resources Hazardous Waste Management Facility and the Stringfellow Federal Superfund site. However, various other activities that are supported from the Hazardous Waste Control Account, including the support of the Department of Health Services, are proposed to be reduced due to a decline in account revenues.

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## CROSSCUTTING ISSUES

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### PLANS NEEDED FOR CONSERVATION OF LAND RESOURCES

*The state faces significant challenges in conserving and managing its land resources. We recommend that the Legislature adopt supplemental report language directing the Resources Agency to (1) develop a long-term plan for the conservation and management of the state's land resources, and (2) undertake an assessment of the state's habitat and open space acquisition and development needs, assess the relative priority of those needs, and develop a long-term financing plan for meeting them.*

#### **Better Management of Statewide Land Resources Needed**

California spends substantial amounts of funds to protect and manage its land resources. This includes providing opportunities for outdoor recreation, protecting wildlife habitat and natural areas, and conserving prime agricultural land. The state faces significant challenges in achieving these goals, however. For example, the Department of Parks and Recreation estimates that only about one-half of the state's citizens are satisfied with the public parks and outdoor recreation opportunities available to them, due to a shortage of convenient recreational areas, overcrowding, and deterioration of park facilities. Also, while California has more biodiversity than any other state—approximately 40,000 species in 380 different natural communities—it is estimated that nearly half of the state's natural communities are rare or endangered. Finally, the American

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Farmland Trust projects that low-density urban sprawl will consume more than one million acres of California's farmland by 2040.

In recent years, various public and private organizations have called for better conservation, management, and development of the state's land resources, to help the state achieve its land conservation and protection goals. (See reports from the Governor's Growth Management Council [January 1993], the Resources Agency and several private and nonprofit organizations [February 1995], and the Milton Marks Commission on California State Government Organization and Economy [the Little Hoover Commission, December 1995]).

A common recommendation in these reports is the need for better statewide planning. For example, the Governor's Growth Management Council called for the state to develop a state resources protection and conservation plan which would include an inventory of resource lands of statewide significance—including wetlands, prime agricultural lands, timberlands, parklands, and wildlife and conservation habitat—and set standards and policies for the conservation of those resources. The state has not yet developed such a plan.

**Current Law Requires Long-Term Environmental Plan.** Current law requires the Governor to prepare and update every four years a comprehensive state environmental goals and policy report regarding air, water, and land uses. No Governor has submitted this plan to the Legislature since 1978. The report is to contain the following elements:

- An overview—looking 20 to 30 years ahead—of state growth and development.
- A statement of goals and objectives relating to land use, population growth and distribution, development, conservation of natural resources, and air and water quality.
- A description of state policies and programs required to *implement* those goals.

The report is intended to advise the Legislature of action required to implement the report's goals and objectives; provide a framework of goals and objectives to aid in the preparation and evaluation of various state plans; and serve as a guide for state expenditures for environmental purposes, with proposed budget expenditures to be related to the achievement of the report's goals and objectives.

Spending substantial amounts of funds alone will not enable the state to achieve its goals relative to land resources conservation and protection. Given the state's projected population growth, we think that the kind of long-term, integrated plan called for under current law is essen-

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tial in enabling the state to effectively achieve its goals of protecting and conserving its land resources in order to further their recreational opportunities, biodiversity, and economic, esthetic and ecological values.

***Ocean Plan Is a Potential Model for Long-Term Land Resources Conservation Plan.*** One model for such a plan is the draft ocean resources management plan released by the Resources Agency in July 1995, pursuant to Ch 1215/89 (AB 2000, Farr) and Ch 1027/91 (AB 205, Farr). This legislation required the Resources Agency to develop a long-term, coordinated plan to restore and manage California's ocean ecosystems. The agency's report was the first comprehensive effort to assemble data, coordinate programs, and identify clear management policies regarding the protection and management of the state's ocean resources.

***Land Resources Conservation Plan Would Define State Goals.*** Developing a comparable plan for California's *land* ecosystems would not be simple and would require time, but it would help to identify the state's goals for land resources management and conservation. Such a plan would help to identify an appropriate balance between various uses of land—including urban development, logging and farming, and wildlife habitat and recreational purposes—and the respective roles of state, federal and local agencies in achieving that balance. Also, a long-term plan would help to integrate the diverse programs and policies which the state has developed to protect and manage its land resources, and determine the appropriate funding sources and levels to support their implementation. Finally, a long-term land resources conservation plan would enable a determination of the role of acquisition of land—such as open space and wildlife habitat—relative to other programs and policies, in achieving the state's long-term land resources conservation goals.

In summary, the state faces significant challenges in conserving and managing its land resources. Ideally, in meeting those challenges, the Legislature would have guidance from the report that the Governor's Office of Planning and Research is required to prepare under current law. However, the Legislature has called unsuccessfully for this report for almost two decades. Accordingly, we recommend that the Legislature direct the Resources Agency to develop a long-term plan, in accordance with current law, for the conservation and management of the state's land resources.

### **State Relies on Land Acquisition To Achieve Habitat and Open Space Conservation Goals**

A central element in California's approach to conserving and managing its land resources has been the acquisition and restoration of wild-

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life habitat, natural areas, and open space, and the development of public access and recreational facilities on those lands. While much has been acquired to date, the departments and agencies charged with conserving the state's habitat and open space indicate that the demand for *future* acquisition and restoration remains substantial. The California Tahoe Conservancy, for example, projects future costs of \$79 million to \$99 million to acquire and enhance sensitive wildlife habitat and natural lands and develop public access in the Lake Tahoe basin. The Department of Fish and Game indicates that continued acquisition of critical wildlife habitat will be necessary to ensure the long-term preservation of the state's fish and wildlife species.

Furthermore, both the Legislature and the administration have indicated continued interest in using land acquisition and restoration to achieve the state's goals relative to habitat and open space conservation. For 1996-97, for example, the budget requests support funding for two new land conservancies created in statute—the San Joaquin River Conservancy and Coachella Valley Mountains Conservancy—which will acquire and conserve open space and habitat.

***State's Acquisition Needs Should Be Assessed.*** There is no consensus, however, on how much funds should be provided to acquire open space and wildlife habitat and develop park facilities, the appropriate sources of funding, and the priorities for funding these activities versus other capital outlay needs. In part, this lack of consensus reflects the state's approach to funding capital outlay needs. In our *Analysis of the 1995-96 Budget Bill*, we recommended that the Legislature undertake a comprehensive review of the state's capital outlay needs, set priorities, and establish a financing plan to fund these priorities over a multiyear period.

To date, the state has not identified the amount of habitat and open space it wants to acquire and develop in order to meet its long-term habitat and open space protection goals. Also, there is no target timeline or schedule for meeting those goals. The lack of such an assessment of need reduces the Legislature's ability to determine the appropriate long-term financing plan for land acquisition and park development, and the priority among various land acquisition and development programs and projects. Without knowing how much and when funds are needed, the Legislature will not be able to determine whether existing funding sources, such as the Environmental License Plate Fund and the Habitat Conservation Fund, are adequate, or whether other new financing sources—such as bond funds, the main fund source used by the state to date—are needed.

We think that undertaking a comprehensive assessment of the state's habitat and open space acquisition needs, setting priorities, and estab-

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lishing a financing plan to fund these priorities over a multiyear period are essential to ensure that future funds are targeted for the highest priority needs. We further think that the Resources Agency would be an appropriate body to undertake this assessment.

## Conclusion

The state's programs and policies for land resources conservation—including the state's programs to acquire and develop open space and wildlife habitat—should be coordinated, based on clear priorities, and directed towards the achievement of long-term goals. We think it is essential that the Legislature take steps to ensure that these criteria are met. Accordingly, we recommend adoption of the following supplemental report language:

(a) By January 1, 1998, the Resources Agency shall develop and submit to the Legislature a long-term plan for the conservation of the state's land resources. The agency shall submit to the Legislature by March 1, 1997 a report on its progress in developing the plan. The plan shall do all of the following:

- Specify the state's short-term and long-term goals relative to the conservation, management and enhancement of the state's land resources;
- Inventory and analyze state laws, programs, and policies—especially those that conflict with one another—which pertain to the conservation and management of the state's land resources, and provide recommendations for their improved coordination and integration;
- Identify the appropriate roles of state, federal, and local agencies, and for-profit and nonprofit organizations—and opportunities for improved coordination among these organizations and agencies—in achieving the state's land resources conservation goals;
- Make recommendations relating to new state policies and programs and levels and sources of funding necessary to achieve those goals, and provide an appropriate timeline or schedule for achieving them.

(b) By March 1, 1997, the agency shall submit a report to the Legislature on the needs for acquisition and development of the state's wildlife habitat, natural areas, and open space. The report shall include (1) the state's long-term goals relative to the conservation of habitat, natural areas, and open space, (2) an assessment of the state's needs to acquire, restore, and develop habitat and open space in order to meet those goals, (3) the relative priority of those needs, and (4) a long-term financing plan for meeting them.

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## FUND CONDITIONS FOR RESOURCES PROGRAMS

The state uses a variety of special and bond funds to support the departments, conservancies, boards, and programs that regulate and manage the state's resources. In this section, we provide a status report on selected special funds and bond funds supporting these programs. For purposes of this review, we have divided the funds into three categories: (1) resources special funds, (2) park-related bonds, and (3) bonds for water programs. (We discuss the condition of various environmental protection funds in the writeups of the individual departments and boards.)

### Special Funds and Park-Related Bonds

***Based on our review of the status of selected special funds and bond funds, we conclude that, if the Legislature approves the Governor's spending proposals, there will be little money available in (1) special funds for legislative priorities for resources programs and (2) park-related bond funds to start new park projects.***

Figure 6 summarizes the total resources available, the Governor's expenditure priorities, and the reserve balances available for selected special funds and park-related bond funds. Below we discuss the status of individual funds and provide some general comments.

***Special Account for Capital Outlay.*** Funds in this account are derived from state lease revenues arising from oil and gas development in state tidelands. In the past, money from the Special Account for Capital Outlay (SAFCO) was used primarily for capital outlay purposes, but was available for other General Fund purposes as well. In 1996-97, however, as in 1995-96, no deposit will be made to the SAFCO, and no expenditures from the account are proposed. Tidelands revenues will instead be deposited in the General Fund.

***Outer Continental Shelf Lands Act, Section 8(g) Revenue Fund.*** Revenues to this fund come from royalties and other payments for the oil and gas recovered from submerged federal lands that are adjacent to California. The amount is determined by an agreement with the federal government. These funds have typically been used for various resources programs. On July 1, 1995, the fund was statutorily abolished,

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and all its assets and liabilities were transferred to the General Fund. For 1996-97, departments and programs which relied on Section 8(g) funds are proposed to receive funding from the General Fund instead.

<b>Figure 6</b>				
<b>Selected Special Funds Resources Programs<sup>a</sup> 1995-96 and 1996-97</b>				
<b>(In Millions)</b>				
	<b>1995-96</b>	<b>1996-97</b>		
	<b>Expenditures</b>	<b>Resources</b>	<b>Expenditures</b>	<b>Balances</b>
<b>Special Funds</b>				
Special Account for Capital Outlay <sup>b</sup>	— <sup>c</sup>	—	—	—
Outer Continental Shelf Lands Act, Section 8(g) revenue fund	—	—	—	—
Environmental License Plate Fund	\$21.6	\$23.0	\$22.0	\$1.0
Public Resources Account, Cigarette and Tobacco Products Surtax Fund	19.0	20.3	18.9	1.4
Habitat Conservation Fund	49.7	31.3	30.0	1.3
<b>Totals</b>	<b>\$90.3</b>	<b>\$74.6</b>	<b>\$70.9</b>	<b>\$3.7</b>

<sup>a</sup> Based on Governor's Budget.  
<sup>b</sup> Figures are for resource-related programs only.  
<sup>c</sup> Not a meaningful figure.

***Environmental License Plate Fund.*** The Environmental License Plate Fund (ELPF) derives its funding from the sale of personalized license plates by the Department of Motor Vehicles. Funds from the ELPF can be used for the following purposes:

- Control and abatement of air pollution.
- Acquisition, preservation, and restoration of natural areas and ecological reserves.
- Protection of nongame species and threatened and endangered plants and animals.
- Protection, enhancement, and restoration of fish and wildlife habitat, and related water quality.
- Purchase of real property, consisting of sensitive natural areas, for the state, local, or regional park systems.

- Reduction of the effects of soil erosion and the discharge of sediment into the water of the Lake Tahoe region.

The budget proposes expenditures totaling \$22 million from the ELPF, an increase of \$402,000 (1.9 percent) from estimated current-year spending.

**Public Resources Account, Cigarette and Tobacco Products Surtax Fund.** The Public Resources Account (PRA) receives 5 percent of the revenue from the Cigarette and Tobacco Products Surtax Fund (C&T Fund). The budget projects account resources to be about \$20.3 million in 1996-97. Generally, PRA funds must be used in equal amounts for (1) park and recreation programs at the state or local level and (2) habitat programs and projects.

Of the projected resources, the budget proposes expenditures from the PRA for the various departments totaling \$18.9 million. This is a decrease of \$49,000 (0.3 percent) from estimated current-year funding. This small decrease reflects a projected decrease in revenues to the C&T Fund.

**Habitat Conservation Fund.** The Habitat Conservation Fund (HCF) was created by Proposition 117, the California Wildlife Protection Act of 1990. The proposition requires that the fund receive annual revenues of \$30 million primarily for wildlife habitat acquisitions and improvements. To provide this funding level, Proposition 117 requires the transfer of (1) 10 percent of funds from the Unallocated Account, C&T Fund, and (2) additional funds from the General Fund, to total \$30 million. Proposition 117 allows the Legislature to substitute for the General Fund the transfer of other appropriate funds.

The budget proposes to transfer about \$27.1 million from various funds into the HCF. In addition, the budget proposes expenditures of \$2.9 million from the California Wildlife, Coastal and Park Land Conservation Fund of 1988 to count towards the HCF requirement. These funds are proposed to fund activities of the California Tahoe Conservancy, State Coastal Conservancy, Department of Parks and Recreation, and the Wildlife Conservation Board. Specifically, the budget proposes \$21 million to be allocated to the Wildlife Conservation Board. In accordance with Proposition 117, the Santa Monica Mountains Conservancy will receive no funding from the HCF in 1996-97.

Our review indicates that there may be a shortfall in funding for the HCF in 1996-97. This is because the administration's proposal to fund the HCF in 1996-97 assumes that the formula for allocating revenues from the surtax on cigarette and tobacco products will be changed relative to the requirements of Proposition 99. This funding formula

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change requires a four-fifths vote of the Legislature (as we discuss in the Health and Social Services chapter of this *Analysis*).

If the Proposition 99 funding formula is not changed, the shortfall in funding provided to the HCF could be approximately \$650,000 relative to the requirements of Proposition 117. The Legislature could transfer additional funds into the HCF from other special funds, such as the ELPF, thereby avoiding a transfer from the General Fund in the event that the Proposition 99 funding formula is not changed.

**Park-Related Bonds.** Figure 7 shows the amounts available in selected park bond funds and the expenditures proposed for 1996-97. Park development projects and land acquisitions have traditionally been funded by various bonds passed by the voters. The availability of bond funds has contributed to the Legislature's flexibility in funding its priorities in past years. This is because the Legislature has been able to free up funds in the ELPF and the PRA by using bond funds to the greatest extent possible to fund various projects.

**Figure 7**

**Selected Park Bond Funds  
Resources Programs<sup>a</sup>  
1995-96 and 1996-97**

(In Millions)

	1995-96	1996-97		
	Expenditures	Resources	Expenditures	
<b>Bond Fund</b>				
State, Urban, and Coastal Park Fund (1976 bond)	—	—	—	—
Parklands Fund of 1980	\$0.8	\$2.0	\$1.9	\$0.1
Parklands Fund of 1984	9.7	0.8	0.7	0.1
Fish and Wildlife Habitat Enhancement Fund of 1984	0.3	2.8	—	2.8
State Coastal Conservancy Fund of 1984	0.2	2.9	1.5	1.4
California Wildlife, Coastal and Park Land Conservation Fund of 1988 <sup>b</sup>	65.1	20.3	13.6	6.7
Wildlife and Natural Areas Conservation Fund of 1988	1.7	—	—	—
<b>Totals</b>	<b>\$77.8</b>	<b>\$28.8</b>	<b>\$17.7</b>	<b>\$11.1</b>

<sup>a</sup> Based on Governor's Budget.

<sup>b</sup> Figure reflects all bond allocations including those not subject to Budget Bill appropriations.

The budget projects available park-related bond fund balances totaling \$28.8 million at the beginning of 1996-97, as shown in Figure 7. The fund balances at the end of 1996-97 are estimated to total \$11.1 million. Of this amount, \$6.7 million is from the 1988 Park Bond. Much of these funds are earmarked for development of particular geographic areas and for certain categories of projects. Consequently, the amount of funding that is available for projects that do not fall into these categories actually will be less than \$6.7 million.

### **Water Bonds**

***Based on our review of bond funding for water programs, we conclude that there are sufficient funds available in 1996-97 to continue local water supply and wastewater treatment programs. However, there is little money available for new water projects not yet in the "pipeline."***

There are several bond fund programs that provide loans and grants to local water agencies to enhance water quality and water supply. These include (1) the safe drinking water program; (2) water supply programs, including programs for water conservation, groundwater recharge, and water reclamation; and (3) the wastewater treatment program.

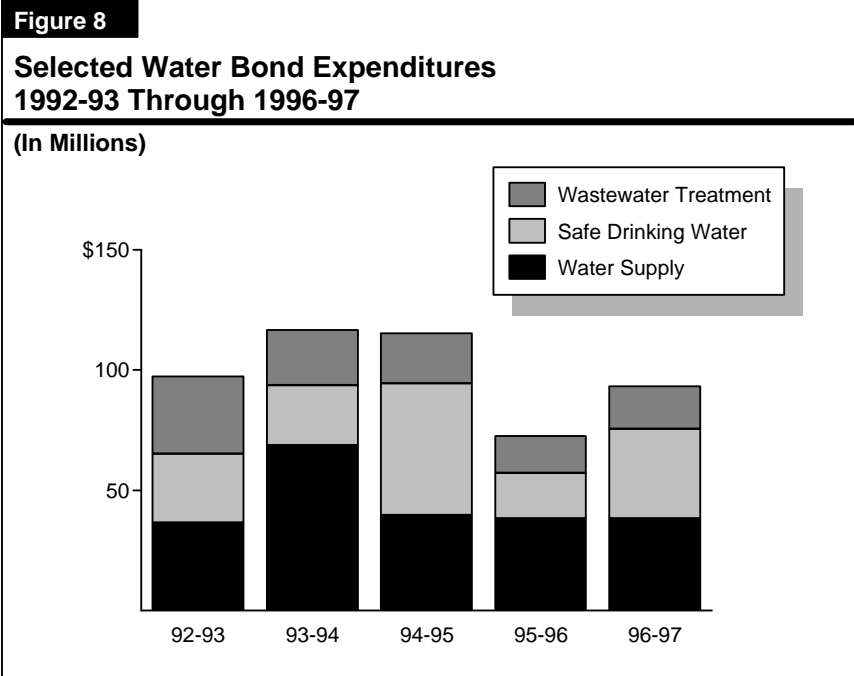
***Past Funding Has Been Significant.*** These bond funds have provided significant amounts of funding in recent years, as indicated in Figure 8.

***Budget Proposal.*** As indicated in Figure 9, the budget reflects expenditures totaling \$93 million in 1996-97 for water quality and water supply programs. These expenditures would be funded from Safe Drinking Water funds, Water Supply funds, and Wastewater Treatment funds.

***Safe Drinking Water.*** The budget projects total expenditures of \$37.3 million in 1996-97, leaving a balance of \$29.3 million at the end of 1996-97. The Department of Water Resources (DWR) advises, however, that it has pending grant applications in the pipeline against most of this balance.

***Water Supply.*** The budget reflects \$38.1 million in expenditures for water supply programs. The balance available for these programs in 1996-97 is projected to be \$38.5 million. According to staff at the DWR and the State Water Resources Control Board, most of this balance is for pending applications for projects.

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**Figure 9**  
**Selected Water Bond Funds<sup>a</sup>**  
**1996-97**  
(In Millions)

	Resources	Expenditures	Balances
<b>Safe drinking water</b>			
1986 California Safe Drinking Water Fund	\$35.2	\$16.9	\$18.3
1988 California Safe Drinking Water Fund	31.4	20.4	11.0
Subtotals	(\$66.6)	(\$37.3)	(\$29.3)
<b>Water supply</b>			
1986 Water Conservation and Water Quality Fund	\$38.6	\$23.0	\$15.6
1988 Clean Water and Water Reclamation Fund	13.6	9.7	3.9
1988 Water Conservation Fund	24.4	5.4	19.0
Subtotals	(\$76.6)	(\$38.1)	(\$38.5)
<b>Wastewater treatment</b>			
1984 State Clean Water Fund	\$40.6	\$17.6	\$23.0
<b>Totals</b>	<b>\$183.8</b>	<b>\$93.0</b>	<b>\$90.8</b>

<sup>a</sup> Based on Governor's Budget.

**Wastewater Treatment.** The budget proposes expenditures of \$17.6 million from the 1984 State Clean Water Fund to fund wastewater treatment projects in 1996-97. This will leave a fund balance of \$23 million at the end of 1996-97. The budget indicates that a majority of the balance is for projects considered to be in the pipeline.

**Summary.** Based on the projected expenditures of water bond funds, there will be sufficient amounts to continue funding water programs in 1996-97 at the levels proposed in the budget. However, it appears that most of the remaining fund balances are not available for new projects in 1997-98 given pending applications for projects already in the pipeline.

### **New Bonds for Water Supply and Wastewater Treatment, but Not Local Flood Control**

*The administration proposes new bonds totaling \$540 million, to be placed on the November 1996 ballot, for Bay-Delta restoration and facilities, and wastewater treatment and reclamation. However, no funding is proposed to address the state's unmet share of costs for local flood control, which now totals about \$140 million.*

Despite past expenditures of water bonds, there remain significant funding demands in the areas of water quality and water supply. For example, the administration estimates projected demand totaling over \$10 billion through the year 2000 for local safe drinking water and wastewater programs. There also are significant funding demands in the area of local flood control. As we discuss below, the administration is proposing to meet *some* of these needs (through proposed new bond funding), but not others.

**Proposed New Water Bonds.** The administration proposes two new water bonds to be placed on the November 1996 ballot. However, the budget proposes no expenditures in the budget year from these proposed bonds. At the time this analysis was prepared, no additional detail was available on the projects or programs to be funded from these bonds, or the schedule by which bonds would be issued.

- **Local Wastewater Treatment and Reclamation—\$320 million.** This new bond funding would (1) expand existing sewer plant capacity and build new sewer facilities, to meet increased demand, and (2) upgrade existing sewer facilities to meet federal Clean Water Act standards.
- **Bay-Delta Restoration—\$220 million.** This new bond funding would construct improved Delta water supply facilities, rehabili-



tate Delta levees, investigate the feasibility of off-stream storage and conjunctive use facilities, and improve fish and wildlife habitat.

**No Funding Proposed for Local Flood Control.** The costs of local flood control projects are funded by the federal government (72 percent), state government (20 percent), and local government (8 percent). Thus, local agencies in California rely heavily on federal and state funding for their flood control projects. Due to the state's budget condition in recent years, however, the state has been unable to pay fully its share of costs for local flood control projects. (In 1994-95, the administration proposed to fund these costs from a bond which did not ultimately reach the ballot.) According to the DWR, the unpaid amount on the state's share of costs is currently about \$140.8 million.

The lack of state funding has affected the development of local flood control projects. For example, the DWR indicates that due to the lack of state funding, construction has stopped on some local projects, including enlargement of Prado Dam on the Santa Ana Mainstem near the border of Orange, Riverside, and San Bernardino Counties, and work on Upper Llagas Creek in Santa Clara County. The budget proposes no funding in 1996-97 for the state's share of local flood control costs.

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## **CAL-EPA COST-CUTTING PROPOSALS INCLUDE EFFICIENCIES AND POLICY CHOICES**

*The budget proposes reductions of about \$8.2 million and 73 positions in programs throughout the California Environmental Protection Agency to reduce the costs of regulations for business. Our review finds that the reductions reflect mainly program efficiencies and policy decisions to reduce program levels, rather than a reduction in regulations.*

*We recommend that the Air Resources Board and the Office of Environmental Health Hazard Assessment (OEHHA) report at budget hearings on the impact of the reduction in the Air Toxics “Hot Spots” Program in terms of costs and benefits for business and the level of environmental protection. We further recommend that the Department of Toxic Substances Control and the OEHHA report on (1) the impact of the reduction in the Railroad Accident Prevention and Immediate Deployment (RAPID) Program on the ability of the state and local agencies to respond to hazardous spills and (2) their priorities for spending the remaining RAPID fee revenues.*

### **Budget Offers Cost-Cutting Proposals**

In response to a directive from the Secretary for Environmental Protection, boards and departments within the California Environmental Protection Agency (Cal-EPA) reviewed their activities for opportunities to reduce program costs “in response to concerns regarding excessive and duplicative environmental regulations.” The budget proposes reductions of about \$8.2 million and 73 positions in various programs as part of this cost-cutting initiative. Figure 10 summarizes these reductions by department, and highlights some of the program activities which will be affected.

Our review finds that most of the proposed reductions do not reduce excessive or duplicative regulations. Rather, the reductions are based mainly on (1) program efficiencies, (2) workload reductions, or (3) policy decisions to reduce program levels due to various reasons, including a lack of funding. Our specific findings follow.

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**Some Reductions Reflect Efficiencies and Workload Reductions**

Our review finds that many of the reductions are properly characterized as program efficiencies. In some cases, the workload of the proposed reduced staff has been, or can be, absorbed by other staff. For example, enabling professional staff to finalize their own correspondence eliminates the need for a word processing technician in the Department of Pesticide Regulation (DPR).

<b>Figure 10</b>		
<b>Cal-EPA Departments and Boards Proposed Reductions in 1996-97</b>		
<b>Reductions</b>	<b>Major Programs Affected</b>	<b>Work Curtailed/Delayed</b>
<b>Air Resources Board</b>		
\$2.6 million (23.7 py)	<ul style="list-style-type: none"> <li>Air Toxics "Hot Spots" Program</li> </ul>	<ul style="list-style-type: none"> <li>Risk assessment guidelines in "Hot Spots" Program.</li> <li>Technical assistance to Caltrans on transportation/air quality matters.</li> </ul>
<b>Department of Toxic Substances Control</b>		
\$2.2 million (6.5 py)	<ul style="list-style-type: none"> <li>Railroad Accident Prevention and Immediate Deployment (RAPID) Program</li> </ul>	<ul style="list-style-type: none"> <li>Technical assistance to state and local emergency response agencies.</li> </ul>
<b>Office of Environmental Health Hazard Assessment</b>		
\$1.6 million (4 py)	<ul style="list-style-type: none"> <li>Air Toxics "Hot Spots" Program</li> <li>RAPID Program</li> </ul>	<ul style="list-style-type: none"> <li>Risk assessment guidelines in "Hot Spots" program.</li> <li>Annual update of Railroad Hazardous Commodities List.</li> </ul>
<b>California Integrated Waste Management Board</b>		
\$1 million (22.5 py)	<ul style="list-style-type: none"> <li>Administration</li> <li>Permitting</li> <li>Enforcement</li> <li>Local Assistance</li> </ul>	<ul style="list-style-type: none"> <li>Planning and other assistance to local governments.</li> <li>Evaluations of local enforcement agencies.</li> </ul>
<b>Department of Pesticide Regulation</b>		
\$0.8 million (16 py)	<ul style="list-style-type: none"> <li>Pesticide Registration</li> </ul>	<ul style="list-style-type: none"> <li>Review of data on efficacy of pesticides and certain environmental impact data.</li> </ul>

A second group of reductions represents workload elimination as programs are completed or as the responsibility for carrying out activi-

ties has been assumed by other jurisdictions or parties. Reductions in such cases also will not have a negative impact on programs or services. For example, the completion of the development of an emissions inventory database allows the Air Resources Board (ARB) to reduce resources in support of this activity. As another example, two positions in the DPR that review data on the efficacy of pesticides are being eliminated on the basis that ineffective pesticides are sorted out by the marketplace where extensive product testing is done. According to the DPR, no other state requires efficacy data as part of its pesticide registration process.

### **Some Reductions Reflect Policy Decisions**

Our review finds that a third group of reductions will result in the elimination or delay in the carrying out of program responsibilities. These reductions primarily reflect policy choices, rather than program efficiencies. Two examples are the Air Toxics “Hot Spots” Program and the RAPID Program.

***Air Toxics “Hot Spots” Program.*** Under this program, facilities that emit toxic chemicals (such as oil refineries and dry cleaners) provide information to the ARB and local air districts about their air emissions. Based on this information, facilities may be required to prepare risk assessments, notify the public of the risks, and take measures to reduce significant risks. The OEHHA is required to develop risk assessment guidelines that are used by facilities and review the risk assessments prepared by the facilities. The ARB is required to maintain an emission inventory and develop risk reduction guidelines. The program’s costs are recovered by a fee on facilities.

The budget proposes expenditures of \$2.6 million for this program for 1996-97, a decrease of 43 percent. This reduction—characterized in the budget as resulting from “program efficiencies”—would eliminate 16 positions in the ARB and reduce the ARB’s contract with the OEHHA by \$1.1 million.

Our review finds that part of the reduction results from certain statutorily required activities being completed (such as the development of specific procedures for public notification). However, the reduction proposal will also result in some previously planned activities—particularly those by the OEHHA—not being carried out or being delayed. For instance, the risk assessment guidelines to be prepared by the OEHHA will be less comprehensive and will be adopted on a less timely basis than planned.

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**Net Benefit to Business Unclear.** The budget proposal does not change the requirement that risk assessment guidelines be developed for use by business. However, the adoption of less comprehensive and timely risk assessment guidelines may create both costs and benefits for businesses that are required to prepare risk assessments and implement measures to reduce risks. For example, reduced program activity at the state level should result in lower fees being levied on businesses to recover program costs. On the other hand, less comprehensive guidelines may make the risk assessment process more time-consuming for business due to less guidance being provided. It is unclear whether the reduction would be a net benefit to business, and whether there would be an impact on the level of environmental protection and public health and safety.

In order that the Legislature may be advised of the costs and benefits of the reduction on business and whether there would be an impact on the level of environmental protection and public health and safety, we recommend that the ARB and the OEHHA report at budget hearings on these matters.

**The RAPID Program.** Chapter 766, Statutes of 1991 (SB 48, Thompson) established the RAPID Program to coordinate technical support from a number of state agencies, including the Department of Toxic Substances Control (DTSC)—the lead agency—and the OEHHA to prevent and respond to hazardous spills from surface transportation accidents. The program has been funded by a fee paid by railroads and trucking companies transporting hazardous materials. While the statutory authority for this fee expired December 31, 1995, the requirements to coordinate technical support and respond to hazardous spills continue.

In 1995-96, program expenditures are estimated to total \$3.2 million, including \$2.7 million for support of the DTSC (including interagency agreements with the Office of Emergency Services, the Board of Equalization, and the State Fire Marshal's Office), and \$462,000 for the OEHHA. Of this amount, a majority of the expenditures are for training and equipment grants and planning assistance for local agencies (such as fire departments) that provide emergency response to hazardous spills. The balance is for the DTSC to provide oversight and technical assistance at hazardous spills and for OEHHA to prepare and annually update lists of hazardous commodities in railroad transport.

**Fee Expires, Administration Takes Credit for "Savings."** The budget proposes expenditures of \$533,000 (from the remainder of collected fees) for the program in 1996-97, a decrease of 83 percent, due to expiration of the fee. This proposal—characterized in the budget as a change that

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“reduces fees and the cost of government”—will eliminate all positions (6.5 in the DTSC and 2 in the OEHHA) that have been funded by the RAPID fee and eliminate the OEHHA's annual update of the hazardous commodities list. In addition, the reduction will result in fewer funds for the state to oversee and provide technical assistance to local governments at hazardous spills, limiting the state's role to major spills, and eliminating training and equipment grants for local agencies.

The reduction in equipment, training, and other technical assistance to local agencies to help them prepare for and respond to hazardous spills could affect the ability of these agencies to provide an appropriate emergency response to hazardous spills. In order that the Legislature may be advised of the impact of this reduction, we recommend that the DTSC and the OEHHA report, at budget hearings, on the impact of this reduction on the level of emergency response that will be provided in the state. The departments should also report on their priorities in spending the remaining fee revenues of \$533,000 so that the Legislature can assess whether these expenditures are consistent with its priorities.

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## UNIFIED HAZARDOUS MATERIALS PROGRAM

*We recommend that the Secretary for Environmental Protection and the Department of Toxic Substances Control report at budget hearings on the status of a local-level unified hazardous materials program intended to consolidate six regulatory programs and reduce fragmentation in program delivery. We further recommend that three positions requested for the State Fire Marshal to implement the unified program be made limited term.*

### **Consolidated Program Should Reduce Savings**

Chapter 418, Statutes of 1993 (SB 1082, Calderon) included a number of provisions to reform the environmental regulatory and permitting processes in the state. Among these is the requirement that the Secretary for the California Environmental Protection Agency (Cal-EPA) develop and implement, by January 1, 1996, a program to consolidate various activities related to hazardous materials. The program is to be administered at the local level and is to consolidate the following programs:

- Regulation of lower-risk hazardous waste generators and treatment operations.
- Underground storage tank regulation.
- Aboveground storage tank regulation.
- Hazardous materials emergency response planning.
- Hazardous materials accident prevention.
- Hazardous materials inventory.

***Unified Program's Purpose Is to Reduce Fragmentation.*** Prior to Chapter 418, the above programs were administered typically by a wide variety of local agencies—such as cities, counties, and fire departments—within any given geographic area. The state was responsible for overseeing local implementation as well as for carrying out programs in areas where there was no local implementation. State agencies involved include the Department of Toxic Substances Control (DTSC), the State Water Resources Control Board (SWRCB), the Office of Emergency

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Services (OES), and the State Fire Marshal (SFM). Regulated parties were subject to many separate permit requirements and fees, at both the state and local level.

As a result of Chapter 418, the hazardous materials programs are to be consolidated and administered by a local agency—known as a Certified Unified Program Agency (CUPA), that is certified by the Cal-EPA. State agencies—with the DTSC as the lead agency—will oversee the unified program's, implementation by the CUPAs, and will recover their costs from a surcharge that is added to the unified fee that regulated parties will pay to the CUPAs.

***Unified Program Should Result in Lower Government Costs and Lower Fees.*** By reducing fragmentation in the delivery of hazardous materials programs, the unified program should result in both lower costs for state and local governments and lower fees. As the CUPAs become certified, the state's overall workload ought to be lower as a result of (1) the shift to the CUPAs of some program responsibilities formerly performed by the state, and (2) less fragmentation in program delivery at the local level which should make the state's oversight role easier and less costly. Lower state costs and more efficient local operations should result in lower overall fees paid by parties regulated under the unified program.

While state agencies may experience more workload in the initial implementation of the unified program, overall workload should gradually decline as the CUPAs are certified beginning in 1995-96 and continuing into 1996-97. Accordingly, some state savings should be expected in 1996-97, with greater savings in 1997-98 when the unified program should be fully operational.

### **Unclear When Savings Will Materialize**

The budget does not reflect any net savings from the unified program in 1996-97. Twenty-six permanent positions have been added over the last couple of years to the participating departments to develop and implement the unified program. Because the program will be fully implemented during the budget year, we would expect that some of these positions would be proposed for elimination.

Cost savings for state and local governments and lower overall fees for regulated parties would indicate that the unified program is achieving its objectives. However, it is unclear at this point when such savings will begin to occur and what impact the program will have on overall levels of fees paid by regulated parties. In order that the Legislature may be advised of these matters, we recommend that the Cal-EPA and

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the DTSC report at budget hearings on (1) the status of the implementation of the unified program, (2) the amount of program savings and benefits that can be anticipated, and when they would likely occur, and (3) the safeguards established in the development of the unified program to ensure that the program, when implemented, will in fact result in less fragmentation of program delivery.

***Requested Fire Marshal Positions Should Be Limited Term.*** For 1996-97, the budget requests three positions for the SFM (now part of the California Department of Forestry and Fire Protection). The requested positions will establish an advisory committee that must report to the Legislature, by January 1998, on the potential inclusion of Fire Code permits in the unified program, help the Cal-EPA develop the unified program, review applications for the CUPA certification, and ensure the proper transfer of programs to the CUPAs. We recommend that these positions be made two-year limited term on the basis that the ongoing workload does not justify making these positions permanent.





## DEPARTMENTAL ISSUES

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### SECRETARY FOR RESOURCES (0540)

The Secretary for Resources heads the Resource Agency, and is responsible for general policy formulation to manage and preserve California's natural, recreational, and wildlife resources. The Secretary is responsible for the operation of the following departments and organizations:

Conservation	California Conservation Corps
Fish and Game	San Francisco Bay Conservation and
Forestry and Fire Protection	Development Commission
Parks and Recreation	Energy Resources Conservation and
Boating and Waterways	Development Commission
Water Resources	Santa Monica Mountains Conservancy
State Lands Commission	State Coastal Conservancy
Colorado River Board	California Tahoe Conservancy
	California Coastal Commission

The Secretary also (1) serves as an ex officio member of various commissions and conservancies, (2) administers the Environmental License Plate Fund (ELPF), and (3) issues the state's guidelines for preparation of environmental impact reports (EIRs) and designates the classes of activities exempted from the preparation of EIRs.

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### **State Water Project Funds Should Pay for Study of Project Management Options**

***We recommend that State Water Project (SWP) funds, not the Environmental License Plate Fund, pay for a proposed study of alternative options for financing and operating the SWP. (Reduce Item 0540-001-0140 by \$350,000 and augment reimbursements in Item 0540-001-0001 by \$350,000.)***

The SWP consists of a dam and reservoir (Lake Oroville) on the Feather River, a major aqueduct from the Sacramento-San Joaquin River Delta to southern California, branch aqueducts to other parts of the state, and water storage and power generation facilities. The SWP is the state's means of moving water to (1) agricultural areas for crop production and (2) urban areas throughout the state for domestic use. Project revenues come primarily from payments made by water agencies on long-term contracts for water delivery. Under current law, responsibility for constructing, operating, and maintaining the SWP rests with the Department of Water Resources (DWR).

***Budget Request.*** For 1996-97, the budget requests \$350,000 from the ELPF for an evaluation of the operational and financial needs of the SWP. The Secretary indicates that the proposed study will evaluate various options for financing and operating the state's water supply programs in order to provide cost-effective service, including the following:

- Maintenance or minor modification of the existing structure for financing and operating the SWP.
- Creation of a new state agency.
- Creation of a Joint Powers Authority.
- Privatization of all or components of the SWP.
- Creation of a special purpose authority.

***SWP Revenues a More Appropriate Fund Source Than the ELPF.*** We think that opportunities to improve the effectiveness and efficiency of the state's water supply system ought to be explored. Because the Invitation for Bid for the study has not yet been prepared, we are not able to provide specific comments on the purposes or scope of the proposed study. However, we think that such a study should be funded not by the ELPF, but out of SWP revenues. This is because, as we discuss in the Crosscutting Issues section, statute specifies that generally ELPF money should be used for environment and habitat enhancement proposes such as the acquisition, preservation, and restoration of natural areas, ecological reserves, or fish and wildlife habitat.

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Although the proposed study may result in some ancillary environmental benefits by improving the state's ability to protect water-related habitat, its primary purpose is to evaluate the operational and financial needs of the SWP. Consequently, the ELPF is not an appropriate funding source for this study. Rather, an appropriate source of funding for the proposed study would be SWP funds. This is because the study will identify options for operating the SWP based on improving the effectiveness and efficiency of the SWP and achieving cost savings or revenue gains for the state, the SWP contractors, and bond holders. Accordingly, we recommend that the study be funded from the SWP funds.

### **Resources Databases Should Be Accessible To State and Local Agencies and the Public**

***We recommend the adoption of supplemental report language requiring departments and agencies under the Resources Agency to develop schedules for making resources databases accessible through the California Environmental Resources Evaluation System, and report this information to the Legislature.***

The California Environmental Resources Evaluation System (CERES) was initiated in January 1994 by the Resources Agency to improve the coordination of state resources databases and the dissemination of information on resources management and planning. The budget requests \$768,000 from the ELPF to continue work on the CERES in 1996-97, to inventory and integrate resources databases, develop applications for their use, and provide public access to the information they contain.

***Resources Departments Collect Significant Amounts of Information.*** The various resources departments spend significant amounts of money and staff time annually to collect and manage resources information. For example, in 1994-95, the Department of Fish and Game *alone* spent about \$14.9 million collecting data, such as the location of endangered species, which is critical to the department's management of the state's natural resources. Other departments that collect and manage significant amounts of resources data include the Department of Conservation, the Department of Forestry and Fire Protection, the Department of Water Resources, and the State Lands Commission.

***Much Information Not Currently Accessible to Public.*** Despite the significant expenditures of staff time and funds to collect and manage resources information, much of that information is not easily accessible to either the public, including both for-profit and nonprofit organizations, to local governments, or to other state agencies. Improving the accessibility of information would assist local governments and state

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agencies in their planning for growth and natural resources conservation efforts. Improving the accessibility and integration of that information is also consistent with Ch 508/95 (SB 1, Alquist), which created a new Department of Information Technology to help improve the state's management of information technology and the accessibility of information collected.

The Resources Agency indicates that it has completed an inventory of most of the databases maintained by resources departments which it plans to publish on the CERES in spring 1996. The next step will be for resources departments to develop and implement strategies to increase the accessibility of the databases identified in that inventory.

**Recommendation.** Given the significant funds and staff time being spent on collecting and managing resources information, and the importance of this information to the effective management by both local and state agencies of the state's natural resources, we think it is important that where appropriate, resources databases be made accessible to state agencies, local governments, and for-profit and nonprofit organizations. Accordingly, we recommend the adoption of the following supplemental report language:

By January 1, 1997, the Secretary for Resources shall submit to the Legislature's fiscal committees and the Joint Legislative Budget Committee a plan for making the databases listed in its CERES inventory accessible through the CERES to other state agencies and local governments, and to the private sector, where appropriate. The plan shall describe (1) a schedule for making the databases in that inventory accessible, (2) the projected levels of funding necessary to make databases accessible and potential sources for that funding, including user fees, and (3) recommendations for protecting confidential data. The departments and agencies under the Resources Agency shall assist in the development of the plan.

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## SECRETARY FOR ENVIRONMENTAL PROTECTION (0555)

The Secretary for Environmental Protection heads the California Environmental Protection Agency (Cal-EPA). The Secretary is responsible for overseeing and coordinating the activities of the following departments that make up the Cal-EPA:

- Air Resources Board (ARB)
- California Integrated Waste Management Board (CIWMB)
- Department of Pesticide Regulation (DPR)
- Department of Toxic Substances Control (DTSC)
- Office of Environmental Health Hazard Assessment (OEHHA)
- State Water Resources Control Board (SWRCB)

Major activities of the Cal-EPA include permit and regulatory reform, the promotion of pollution prevention, the development of markets for environmental technologies, and the establishment of business assistance programs such as the "one-stop" permit assistance centers (PACs). Many of the Cal-EPA's initiatives have been implemented in conjunction with the constituent agencies within the Cal-EPA (noted above) and with other state agencies, such as the Trade and Commerce Agency.

The budget proposes total expenditures of \$2.7 million for the Secretary in 1996-97. This level of expenditures is the same as estimated current-year expenditures.

### **Better Evaluation Information of Permit Assistance Centers Needed**

*We recommend that: (1) the Secretary provide workload justification for the funding and staffing levels for the Permit Assistance Centers (PACs) in the budget year; and (2) the Legislature adopt supplemental report language requiring the Secretary to develop and provide performance measures and workload information in order to evaluate the PACs in the budget and subsequent years.*

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**PACs Established Administratively.** Beginning in 1992, the Secretary has administratively established eight PACs (seven of which are full-time) throughout the state. The PACs are designed to provide a single point of contact for businesses to obtain information on all required permits and assistance in applying for such permits. These could be federal, state, and local permits necessary to start a business, including environmental, land use, and health and safety permits. The PACs are overseen by the Secretary, and staffed by employees assigned from boards and departments within the Cal-EPA, as well as from various local agencies.

In the current year, estimated expenditures for the PACs are about \$2.7 million, with state and local contributions of \$1.4 million and \$1.3 million, respectively. As part of the state's contribution, about 20 personnel-years have been assigned to the PACs from within the Cal-EPA, mainly from the Department of Toxic Substances Control and the Regional Water Quality Control Boards. Also included in the state's contribution is \$236,000 from five state agencies outside of the Cal-EPA.

**Budget Proposes Expansion of the PACs.** The budget requests an increase of \$243,000 to support five more (four part-time) PACs and to establish a full-time position in the Secretary's office to oversee the PACs in 1996-97. However, no details have been provided regarding the particular staffing needs at each of the proposed PACs to substantiate the funding increase.

**Legislature Required Evaluation of the PACs.** The *Supplemental Report of the 1995 Budget Act* required the Secretary to report to the Legislature by January 1996 on the development of a strategic plan with performance measures that would allow an evaluation of the progress and overall effectiveness of the PACs. The Secretary was also required to develop a funding allocation for each PAC which links the funding sources to the particular type of permitting assistance actually provided at the center. The report was submitted to the Legislature in December 1995 and we have reviewed the report.

**Current Performance Measures Too Broad and Need Refinement.** The Secretary's report states that the PACs provided assistance to about 2,900 customers in the first five months of 1995-96. The report, however, does not provide further information on how and the extent to which customers are assisted. Furthermore, the report fails to provide a funding allocation for the centers as directed.

While we believe there is merit in the concept of providing "one-stop" assistance to businesses in meeting the permit requirements of several regulatory agencies, it is important to be able to evaluate the effectiveness of the PACs in providing such assistance. This is because

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staff resources used in support of the centers are redirected from various boards and departments where these resources would otherwise be performing similar permitting functions. The centers are provided to offer a more convenient location and a more “coordinated” approach to the permitting process, but at added costs.

We find that the performance measures developed to date for the current year do not allow the Legislature to effectively evaluate the PACs. For instance, the only performance measure established relates to the number of customers “served” at each PAC. Such a broadly defined performance measure does not allow for an evaluation of the level of service provided to customers and ultimately whether the customers are better off—such as, in the amount of time needed to issue permits—as a result of the assistance provided by the PACs.

The Secretary's office indicated that it is developing computer software that will track the type of assistance (permitting, financial, technical, etc.) provided to each PAC customer, including the particular type of permit involved. In addition, customer surveys will track the level of satisfaction with the quality of service provided. To ensure that the Secretary develops performance measures that allow the Legislature to evaluate the PACs, we recommend that the Legislature adopt the following supplemental report language:

In order that the Legislature may evaluate the effectiveness of the Permit Assistance Centers (PACs), the Secretary for Environmental Protection shall submit, by September 1, 1996, a report to the Legislature identifying and describing the performance measures which have been developed for this evaluation. The performance measures shall, at a minimum, assess the impact of the PACs—compared to the current permitting process—on the costs and time involved in the permitting process for both the customer and regulatory agencies.

***Workload Data Needed to Structure Appropriate Funding and Staffing.*** The Secretary was not able to provide actual workload information for each PAC showing the particular type of permitting assistance provided. Consequently, we are unable to determine whether the current funding allocation for the PACs is consistent with the permitting assistance provided.

Similarly, without this workload information, we are unable to determine whether the current breakdown of the Cal-EPA employee assignments to the PACs is justified. The reassignment of employees to the PACs is likely to have an impact on the workload at the Cal-EPA board or department from which the employees are assigned. Therefore, it is necessary to have workload information to ensure that the assignment of employees to the PACs (1) is appropriate in light of the demand for particular types of permitting assistance at the PACs and (2) does not

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negatively impact the quality of service provided to parties who apply for permits at the Cal-EPA boards and departments, without the assistance of a PAC.

***Ongoing Funding of PACs Needs Justification.*** While we think that expanding the PACs in 1996-97 may have merit, we recommend that the Secretary provide, prior to budget hearings, workload data for each PAC to justify the allocation of funding sources and employee assignments to each PAC in 1996-97.

We also recommend that the Legislature adopt the following supplemental language to direct the Secretary to provide appropriate performance measures and workload justification for the funding sources and employee assignments at each center in its 1997-98 and future years' requests for support of PACs.

It is the intent of the Legislature that the Secretary shall provide, as part of its budget proposal in 1997-98 and future years, justification for the support of Permit Assistance Centers (PACs) including (1) data on appropriate performance measures for the evaluation of the effectiveness of PACs in providing customer assistance (such as time and cost savings for permittees) and (2) workload information which justifies the funding sources and employee assignments at each center.

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## DEPARTMENT OF CONSERVATION (3480)

The Department of Conservation (DOC) is charged with the development and management of the state's land, energy, and mineral resources. The department manages programs in the areas of: geology, seismology, and mineral resources; oil, gas, and geothermal resources; agricultural and open-space land; and beverage container recycling.

The DOC proposes expenditures totaling \$414.4 million in 1996-97, an increase of about \$17.3 million, or 4.3 percent, over estimated current-year expenditures. The increase is due largely to a projected increase in expenditures in the beverage container recycling program, as discussed below.

### **Beverage Container Recycling Program Accumulated Sizable Reserve**

***The California Beverage Container Recycling Fund had accumulated a reserve of approximately \$100 million by the end of 1994-95, mainly due to payments for refunds on beverage containers being less than the amount paid into the fund.***

California's Beverage Container Recycling Program (BCRP) began in October 1987 after enactment of Ch 1290/86 (AB 2020, Margolin). The original goals of the program were to reach an overall beverage container recycling rate of 80 percent, by an unspecified date, and to make recycling of beverage containers more convenient for consumers. By 1994, the state's overall recycling rate for beverage containers had reached 79 percent. Recycling rates varied for different container types, from 82 percent for aluminum containers to 17 percent for bimetal containers (metal containers made primarily of steel).

The program is funded by the California Beverage Container Recycling Fund (CBCRF). In 1994-95, about \$333 million in revenues were generated. The fund derives its revenues primarily from the 5 cent per beverage container refund value paid by consumers when they purchase beverages. The fund also receives processing fees from container manufacturers. These fees are paid by manufacturers for every eligible beverage container they sell in California. These revenues, in turn, are used to pay recyclers, who accept empty beverage containers from consumers and pay a refund value, to offset their net cost of recycling beverage containers.

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Money in the CBCRF is first used to pay refunds to consumers when they recycle their containers, processing payments and administrative fees to processors; cover the costs of the DOC's program administration; and provide a reserve for contingencies. Any remaining funds available in the CBCRF are then used for various purposes as specified by statute, including payment of handling fees and grants to nonprofit organizations and governmental entities for litter abatement, recycling, and related activities.

When people do not recycle containers for which a refund value has been paid, these funds accumulate in the CBCRF. In past years, these reserves were more than adequate to cover other recycling expenditures specified by statute. As a result, by the end of 1994-95, the CBCRF had an accumulated reserve of approximately \$100 million.

### **New Legislation Will Modify Beverage Container Recycling Program**

***Recent legislation will reduce the reserve in the California Container Beverage Container Recycling Fund over future years, as well as limit funding available to the Department of Conservation for administration of the Beverage Container Recycling Program.***

The BCRP was significantly modified, effective January 1, 1996, by Ch 624/95 (SB 1178, O'Connell). Figure 11 summarizes the key fiscal provisions of Chapter 624.

Among other things, Chapter 624 continues payments of \$18.5 million annually from January 1, 1996 to January 1, 1999 to recyclers at supermarket sites. It also increases the amount made available for payments to operators of curbside recycling programs and increases payments to recyclers, while reducing the fees paid by container manufacturers. Chapter 624 also places a cap on the amount that the DOC may spend for administration of the program, so that by 1998-99, total support would be about 81 percent of the amount appropriated in the 1995-96 Budget Act, or about \$21.4 million.

***Chapter 624 Will Reduce the CBCRF Reserve.*** One impact of the changes instituted by Chapter 624 will be to reduce the reserve in the CBCRF over future years. This is because Chapter 624 will reduce the amount of revenues deposited in the CBCRF while increasing annual payments to recyclers and grant funding for various recycling programs.

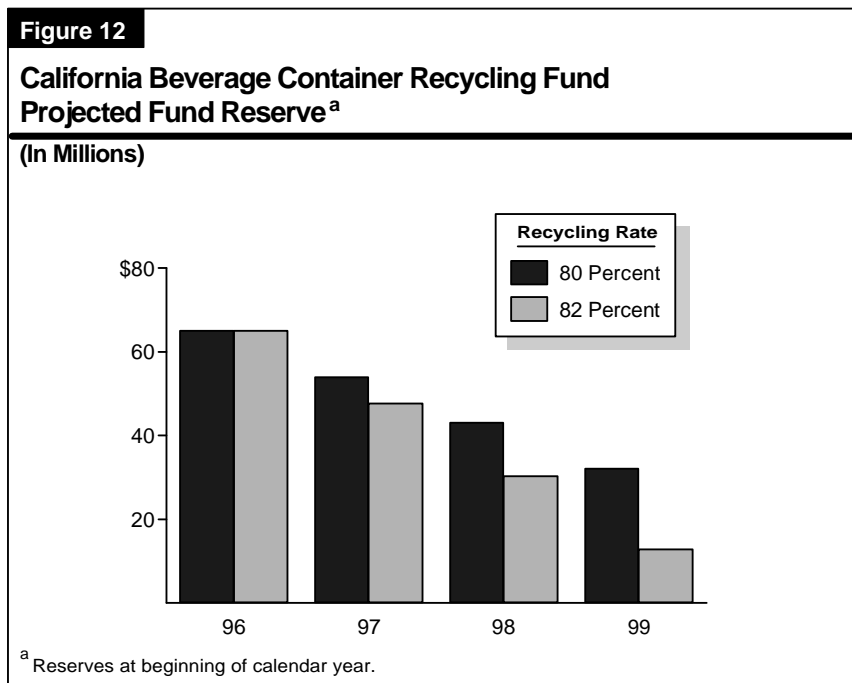
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**Figure 11**

**Beverage Container Recycling Program  
Key Fiscal Provisions of Chapter 624, Statutes of 1995**

- Handling Fees—provides \$18.5 million until January 1, 1999 to be paid to recyclers at supermarket sites.
- Curbside Program Payments—provides \$5 million annually until January 1, 1999 to be paid to operators of curbside recycling programs.
- Processing Fees—reduce payments from:
  - Glass Container Manufacturers—from about \$19.7 million to about \$13.4 million annually.
  - Plastic Container Manufacturers—from about \$20.7 million to about \$7.2 million annually.
- Processing Fee Payments to Recyclers—increase to about \$44.8 million annually.
- New Processing Fee Accounts—creates new accounts for plastic containers and bimetal containers.
- Department of Conservation Administration—limits annual expenditures to:
  - 1995-96—5 percent less than originally appropriated in the 1995 Budget Act.
  - 1996-97 through 1998-99—each year is 6.7 percent less than appropriated in the preceding year.

However, the rate at which the reserve is reduced will depend not only on implementation of Chapter 624, but also on the recycling rate. To the extent the recycling rate increases and more refunds are paid to consumers, the reserve will be depleted faster. Figure 12 shows how the reserve will decline under two different recycling rates. As indicated in Figure 12, the DOC estimates that at a recycling rate of 80 percent (currently it is 79 percent), the CBCRF reserve would be approximately \$32 million at the end of 1998. An increase in the recycling rate to 82 percent, in contrast, would result in a projected reserve of approximately \$13 million at the end of 1998.



**Chapter 624 Reduces Funding for Program Administration.** In compliance with Chapter 624, the proposed budget reflects a decrease in funding for the DOC's administrative support. Specifically, the budget reflects a reduction of \$1.3 million for the current year and proposes a decrease of \$1.7 million in 1996-97—to \$24 million. The department proposes to implement the reduction in both years primarily by decreasing its expenditures for program outreach and public relations. For instance, the department proposes to reduce funding for these activities from \$3.1 million in the current year to \$2.1 million in the budget year.

The department indicates that as it reduces administrative support in future years, in accordance with Chapter 624, funding may not be adequate to support current program activities. Specifically, the department indicates that future reductions in administrative support may impact mandated activities. These activities include calculating processing fees and payments and auditing their payment; certifying processors and recyclers; administering grants; and providing technical assistance to recyclers.

### **Soil Conservation Fund Should Pay for Expansion In Agricultural Land Conservation Program**

***We recommend using \$1,061,000 from the Soil Conservation Fund (SCF) in lieu of a like amount from the Environmental License Plate Fund for agricultural land mapping and grants to protect agricultural land because the SCF is the appropriate fund source for the activity. We further recommend that the Legislature (1) adopt Budget Bill language that authorizes the SCF to be used for programs related to the conservation of agricultural land, and (2) enact legislation to make the SCF available for these programs. (Reduce Item 3480-001-0140 by \$61,000; increase Item 3480-001-0141 by \$61,000.)***

The department administers programs related to the conservation of agricultural land. These programs are funded from a combination of General Fund, the SCF, and other sources (primarily federal funds and reimbursements). Figure 13 identifies the three programs dealing with protection of land resources, their funding sources, and the budget proposals for these programs for 1996-97.

***Open-Space Subvention Program.*** Under the California Land Conservation Act of 1965 (Williamson Act), landowners may enter into ten-year contracts with local governments which restrict the use of property to open-space and agricultural purposes. To compensate the landowners for the restricted use of their property, the property is assessed at less than market value for property tax purposes. In turn, the state compensates the counties for the loss of property tax revenues by providing counties with General Fund subvention payments. Currently, about 16 million acres—roughly half—of the state's total agricultural lands are enrolled in contracts. The DOC reviews and verifies subvention claims; analyzes land use related to preservation of agricultural land and reports to the Legislature; and provides assistance to local governments in implementing the program.

Contracts are automatically renewed unless the landowner or local government files for nonrenewal. Landowners may also petition to cancel contracts prior to contract expiration and must pay a fee for any

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contract cancellation. In 1992-93, cancellation fee revenues to the state were \$3.6 million. Current law requires that of these revenues, \$985,000 or any other amount approved in the Budget Act be transferred to the SCF for specified purposes. The remaining fee revenues accrue to the General Fund.

***Farmland Mapping and Monitoring and Soil Resource Protection Programs.*** In addition to the Open-Space Subvention Program, the DOC is also responsible for mapping and monitoring the conversion of farmland in the state. In addition, it provides technical support and advisory services to locally formed Resource Conservation Districts (RCD) on soil conservation. These activities are funded primarily from the SCF.

***Budget-Year Proposal.*** As Figure 13 indicates, for 1996-97, the budget requests additional funding for the DOC's agricultural land conservation programs as follows.

- \$70,000 from the General Fund for a pilot program to audit the accuracy of subvention payments to local governments.
- \$61,000 from the Environmental License Plate Fund (ELPF) to improve the DOC's mapping and analysis of farmland conversion and to train local governments in the administration and taxation of land contracted under the Williamson Act.
- \$1 million from the ELPF (with funds transferred from the Habitat Conservation Fund) for grants to protect agricultural land under the Agricultural Land Stewardship Program set up by Ch 931/95 (SB 275, Costa).
- \$120,000 from the ELPF for competitive grants to RCD for watershed planning and restoration.

***Proposed Program Expansions Have Merit but Mapping and Stewardship Activities Should Be Funded From Cancellation Fees.*** Our review indicates that the request to expand land resource conservation activities has merit. Our review further indicates that the request to use General Fund support for subvention audits is appropriate because the subventions are paid from the General Fund. Similarly, the proposed use of the ELPF for grants to RCDs is also appropriate, since the grants are intended to help enhance and restore fish and wildlife habitat and related water quality—an eligible use of the ELPF.

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**Figure 13**

**Department of Conservation  
Land Resource Protection Programs  
Fund Sources and 1996-97 Augmentations**

Program	Fund Sources	1996-97 Augmentations
Open-space subvention administration	General Fund	<ul style="list-style-type: none"> <li>• Subventions audit (\$70,000 General Fund)</li> <li>• Mapping and training (\$61,000 ELPF)</li> <li>• Agricultural land stewardship (\$1 million ELPF)</li> </ul>
Farmland mapping and monitoring	Soil Conservation Fund Reimbursements Federal funds	None
Soil resource protection	Soil Conservation Fund	<ul style="list-style-type: none"> <li>• Competitive Resource Conservation District grants (\$120,000 ELPF)</li> </ul>

However, in our view, agricultural land mapping and stewardship grants should not be funded from the ELPF because, as we indicated in the Crosscutting Issues section of this chapter, the ELPF is designated for purposes related to the protection of natural and ecological areas and fish and wildlife habitat. Rather, we think that the mapping and training activity as well as grants to protect agricultural land should be funded using Williamson Act cancellation fee revenues (SCF) instead of the ELPF. Because the main objective of the Williamson Act is to protect the state's agricultural land by placing restrictions on its development, the act requires landowners enrolled in the program to pay contract cancellation fees to have those restrictions removed.

It is therefore appropriate, in our view, that these fee revenues be used to support activities that promote farmland protection, such as mapping of farmland under contract and training of local governments in the implementation of the Williamson Act. Doing so would also be consistent with current statutory policy of using cancellation fees to fund the state's land conservation programs. For instance, under existing law, money in the SCF supports the DOC's Farmland Mapping and Monitoring and Soil Resource Protection programs, to protect agricultural lands and other open-space lands and manage water and soil resources.

Accordingly, we recommend using the SCF in lieu of the ELPF for agricultural mapping activities and for grants to protect agricultural

lands. Because current law does not *explicitly* authorize the use of the SCF revenues for these activities, we further recommend that the Legislature (1) adopt Budget Bill language to authorize the use of the SCF for programs related to the conservation of agricultural land, and (2) enact legislation to make the SCF available for these programs on an ongoing basis.

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## DEPARTMENT OF FORESTRY AND FIRE PROTECTION (3540)

The California Department of Forestry and Fire Protection (CDFFP), under the policy direction of the Board of Forestry, provides fire protection services directly or through contracts for timberlands, rangelands, and brushlands owned privately or by state or local agencies. In addition, the CDFFP (1) regulates timber harvesting on forestland owned privately or by the state and (2) provides a variety of resource management services for owners of forestlands, rangelands, and brushlands.

The budget requests a total of \$409 million for support of the CDFFP in 1996-97, including the General Fund (\$280.4 million), various other state funds (\$25.1 million), and federal funds and reimbursements (\$103.5 million). This is an increase of \$13.6 million, or 3.4 percent, from estimated current-year expenditures. The increase is due primarily to the consolidation in 1995 of the State Fire Marshal with the department.

### Expansion of Pre-Fire Management Initiative Is Premature

***We recommend that the request for \$800,000 and 9 positions to expand the department's pre-fire management initiative be denied because the department has not yet completed a pilot program to test the initiative or evaluated the results of that pilot. (Reduce Item 3540-001-0001 by \$800,000).***

In the current year, the department is redirecting—from existing resources—\$453,000 to develop and implement a new pre-fire management initiative. This initiative is intended to coordinate fire prevention, fire control and fuel reduction efforts in order to reduce wildland fire costs and losses to the public. The department also plans to redirect \$412,000 in the budget year to implement the initiative. In both 1995-96 and 1996-97, redirected funds will be used to implement the initiative in three test ranger units. (There are 22 ranger units statewide.) Figure 14 shows the tasks to be completed in 1995-96 and 1996-97 with the redirected funds.

As Figure 14 (see next page) shows, the department plans to complete pre-fire management plans in the three test ranger units by July 1997. While the department plans to implement those plans in 1997-98, it has not provided a schedule for their implementation.

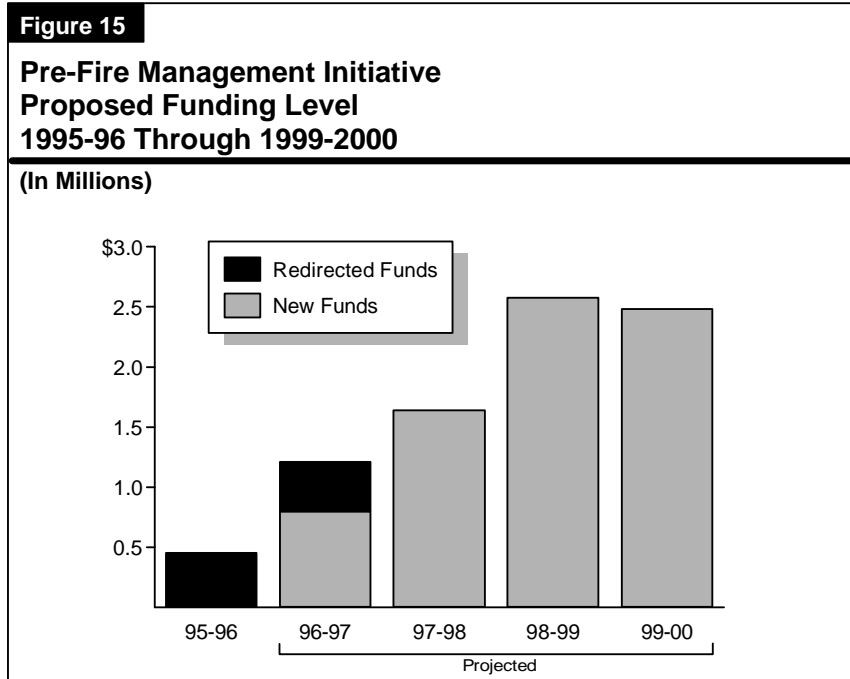
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Figure 14 Pre-Fire Management Initiative— Tasks to Be Completed With Existing Funding	
Task	Completion Date
Train three ranger units' staff	July 1996
Assist ranger unit staff to validate field data	January 1997
Complete ranger unit pre-fire management plans	July 1997

**Department Proposes to Significantly Expand Program Before Completing Test Units.** Although the department will not complete its pre-fire management plans in the three test ranger units until July 1997, the department is *already* requesting additional funds to significantly expand the program. Specifically, the department requests for 1996-97 an additional \$800,000 from the General Fund and 9 positions to implement the initiative in nine additional ranger units. This additional funding will supplement the amount that the department plans to redirect from existing resources, bringing total 1996-97 funding for the initiative to \$1.2 million.

**Initiative Will Require Significant Long-Term Costs.** The department also plans to request *additional* funds to implement the initiative in each year through 1999-2000, at which time it will be operating statewide in all 22 ranger units. As illustrated in Figure 15, this will bring annual funding for the initiative to \$2.4 million in 1999-2000, for total funding of \$8.4 million for the period 1995-96 through 1999-2000.

**Criteria for Evaluating Pilot Results.** While we think that opportunities to reduce the cost and damages associated with wildland fires ought to be explored, we think that the department's proposal to expand the pre-fire management initiative is premature and that the initiative should not be expanded before implementation in the test ranger units has been completed. This is because expansion should be based on whether the results of implementation in the pilot units demonstrate that the initiative is achieving its objectives. Below, we offer some criteria for the Legislature to consider in evaluating the results of the initiative, and determining whether the program merits additional funding.



- **Cost Savings.** Does the initiative produce savings? The department indicates that the initiative will reduce the damage caused by wildfires in State Responsibility Areas (SRAs) and the cost to the state of fighting those fires. Based on savings achieved in the pilot units, the department should be able to estimate the savings that would be realized if the program were expanded statewide, and when those savings would be achieved.
- **Forest Health.** Does the initiative result in improved forest ecosystem health? Over the years, the quick suppression of wildfires has protected people and resources in wildland areas, but has also resulted in increased levels of wildland fuels (such as brush and dead trees) and fires that ultimately burn more intensely. Implementation of the initiative should result in improved forest health and recognition of the natural role of wildfires in wildland ecosystems.
- **Coordination Within the CDFFP.** Does the initiative result in increased coordination among the CDFFP's programs, including fire prevention, fire control, strategic planning, and resource protection and improvement? In 1995-96, the CDFFP has estimated expenditures of about \$7.9 million for fire prevention and

about \$18.2 million for resource protection and improvement. The initiative should facilitate coordination among these programs and other CDFFP programs relating to reducing the damage caused by wildfires and improving forest health.

- **Coordination With Local and Federal Governments and Private Sector.** Does the initiative facilitate coordination between the CDFFP and other entities involved in wildland fire protection? The initiative should result in better coordination among the department, local and federal agencies and landowners in the provision of wildland fire protection, and clearly define both the respective roles of those different agencies and the distribution of costs in implementing the initiative.
- **Legislative Priorities.** Does the initiative meet legislative priorities?

**Recommendation.** We recommend that the Legislature deny \$800,000 and 9 positions requested to expand the department's pre-fire management initiative because the department has not yet completed implementation of the initiative in three test ranger units, or evaluated the results of the initiative in those test units. The Legislature should evaluate those results in determining whether the program merits additional funding.

### **Plan to Reduce Telecommunications Expenditures Not Yet Finalized**

**We recommend that the department report at budget hearings on the status of its plan to reduce its expenditures on telecommunications, and the impact of these reductions on the department's fire control program.**

In 1994-95, the CDFFP was provided \$3 million from the General Fund to replace a portion of the department's telecommunications equipment, including radio equipment and emergency command center consoles at various locations around the state, because its communications system had seriously deteriorated. This was the first year of a ten-year, \$62 million plan to replace equipment, eliminate a backlog in equipment replacement, and provide limited expansion for the department's telecommunications system (to meet increased demands on the system). The plan called for replacement expenditures of \$6.5 million in 1995-96 and \$6.5 million in 1996-97.

**Current-Year Funding Falls Short of Plan.** In the current year, telecommunications expenditures are estimated to be about \$1.4 million, about \$5.1 million below the level required by the CDFFP's plan. This is because the department requested only about \$3 million for 1995-96.

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In addition, the department reduced telecommunications expenditures further to implement expenditure reductions required by Control Sections 3.75 and 3.90 of the 1995 Budget Act. Figure 16 shows that Control Section reductions total \$3.1 million in 1995-96, with a significant portion—about \$1.6 million or 52 percent of the total reduction—made in telecommunications and mobile equipment.

**Figure 16**

**California Department of Forestry And Fire Protection  
General Fund Reductions  
Per 1995 Budget Act Control Sections  
1995-96 and 1996-97**

(In Thousands)

Program	1995-96	1996-97
Fire lookouts	\$186	\$224
Telecommunications and mobile equipment	1,596	2,036
Air program	560	—
Other fire protection programs	168	168
Resource Protection and Improvement Program	322	404
Management services	249	249
<b>Totals</b>	<b>\$3,081</b>	<b>\$3,081</b>

**Budget-Year Reduction.** In the budget year, the shortfall in funding for the department's long-term telecommunications replacement plan will grow. This is because, as Figure 16 indicates, the budget proposes an even *greater* portion of the ongoing General Fund reduction to be in telecommunications—about \$2 million or 66 percent. This means that the CDFFP's 1994-95 long-term telecommunications replacement and acquisition plan will be short a total \$10.6 million through 1996-97.

**Reduction Plan Not Yet Developed.** The department indicates that it is currently developing a long-term plan for reducing expenditures for telecommunications and mobile equipment. According to the department, however, the reduction in spending for telecommunications equipment proposed for 1996-97 will severely impact its ability to replace outdated telecommunications equipment, potentially causing system failures and jeopardizing public and firefighter safety. Given the importance of telecommunications to the department's fire control program, we recommend that the department report at budget hearings on why it chooses to reduce telecommunications replacement expenditures (in favor of other General Fund expenses), the status of its plan to reduce its expenditures on telecommunications, and the impact of these reductions on the department's fire control program.

## STATE LANDS COMMISSION (3560)

The State Lands Commission (SLC) is responsible for the management of lands that 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 budget proposes total support of the commission in 1996-97 of \$17.1 million, including the General Fund (\$9.6 million), the Oil Spill Prevention and Administration Fund (\$4.9 million), and reimbursements (\$2.7 million). This is a decrease of \$155,000, or 0.9 percent, from estimated current-year expenditures.

### School Land Bank Has Accumulated Significant Reserve

***We recommend that the Legislature transfer \$15.6 million of the reserve in the School Land Bank Fund to the General Fund, in order to provide the Legislature with maximum flexibility in the use of these funds. So that the Legislature may reevaluate the fund's statutory purpose and the best use of its revenues, we further recommend that the State Lands Commission report at budget hearings on its long-term plan for using these revenues under current law.***

The SLC manages lands that were given to the state by the federal government in order to help support public education. Some of these lands are leased for commercial purposes (such as mining and oil drilling). Lease revenues (royalties) are deposited in the State Teachers' Retirement Fund (STRF) after the SLC recovers its costs.

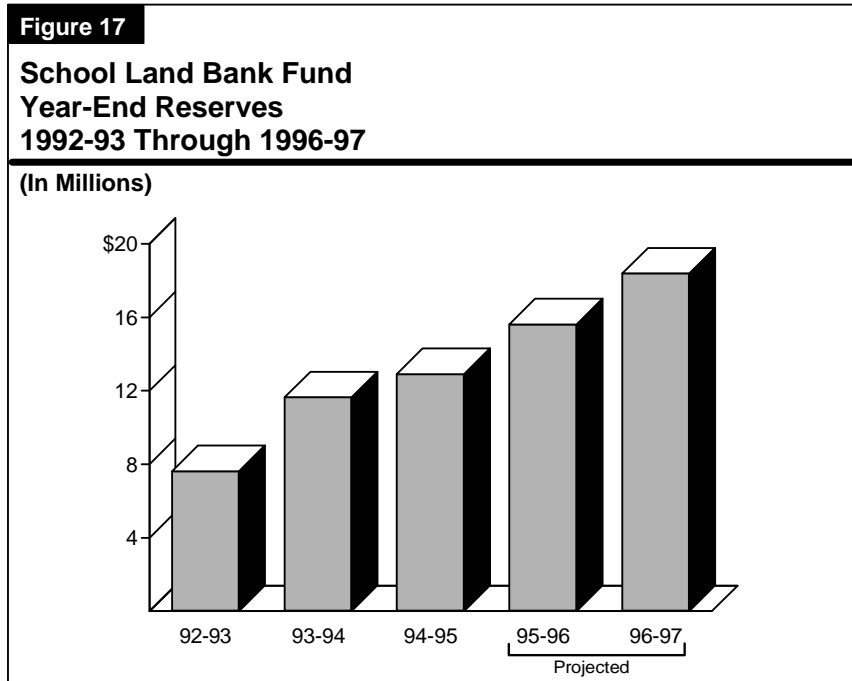
Under the School Land Bank Act of 1984, the commission may also sell school lands and purchase other properties in order to consolidate school land parcels into contiguous holdings. The purpose of consolidating school lands is to facilitate the effective management of those lands for the purpose of generating revenue for the STRF. Revenues from land sales are deposited in the School Land Bank Fund (SLBF), and are in turn available to the SLC for property purchases.

***Significant Reserve in the SLBF.*** The SLBF has built up a significant reserve in recent years. This is because revenues from the sale of school lands have exceeded the SLC's expenditures from the fund. As

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Figure 17 shows, the fund will have an estimated reserve of \$15.6 million at the end of 1995-96. By the end of 1996-97, the reserve is projected to increase to \$18.4 million.



The SLC staff have considered purchasing various commercial real estate properties, which is consistent with the commission's strategy of using revenues from school land sales to purchase income properties. At the time this *Analysis* was prepared, however, commission staff had found no commercial properties that met their investment criteria, and thus had made no investments. Consequently, the budget proposes no expenditures from the SLBF in 1996-97.

**Legislature Should Reevaluate the Purpose of the SLBF.** In view of the difficulties that the SLC is encountering in finding suitable commercial properties for investment and the significant reserve accumulated in the fund, we think the Legislature should reevaluate the statutory purpose of the SLBF. Below we list some purposes that the Legislature might want to establish for the use of monies in the fund.

- **Maximize Revenues to the STRF.** If the Legislature's intent is to maximize revenues to the STRF, then proceeds from the sale of school lands should be invested by the State Teachers' Retirement

System (STRS), which administers the STRF, instead of the SLC. This is because the STRS has a significant portfolio (\$60.3 billion in 1995) and the staff expertise and organizational structure for identifying investment opportunities and managing the investments more efficiently than the SLC.

- **Generate State Revenue and Protect State Lands.** In addition to generating revenues for the state, other purposes of the SLC's land management program include protecting, preserving, and restoring the natural values of state lands. If the Legislature's intent is to help meet *both* of these objectives—revenue generation and land preservation—then the Legislature should clarify statutorily that the fund is available to the SLC for both of these purposes. The Legislature may also want to specify the relative priority of these objectives to guide the SLC's decisions regarding land sales and purchases.
- **Other Purposes.** The Legislature could use revenues from the sale of school lands for other purposes related to support of the state school system, such as to reduce the state school system's backlog of deferred maintenance, which is about \$2.5 billion. (Please see the K-12 Education section of this *Analysis*.) (However, the Legislature should recognize that using the SLBF in this way could have an impact on the Proposition 98 minimum funding guarantee.) Revenues in the SLBF could also be transferred to the General Fund, either to increase the General Fund reserve or to fund other General Fund expenditures.

**Recommendation.** Because the commission has not allocated the funds, we recommend that \$15.6 million of the reserves in the SLBF be transferred in 1996-97 to the General Fund, in order to provide the Legislature with maximum flexibility in the use of these funds. So that the Legislature may reevaluate the fund's statutory purpose and the best use of its revenues in the long run, we further recommend that the SLC report at budget hearings on its long-term plan for using these revenues under current law.

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## DEPARTMENT OF FISH AND GAME (3600)

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 sets policies to guide the department in its activities, and regulates the sport taking of fish and game. The DFG currently manages about 160 ecological reserves, wildlife management areas, habitat conservation areas, and interior and coastal wetlands throughout the state.

The budget proposes total expenditures of \$165 million for support of the DFG in 1996-97. This is an increase of \$1.5 million, or 0.9 percent, from estimated current-year expenditures.

### **Budget Request Will Be Amended**

***We withhold recommendation on \$74.3 million from the Fish and Game Preservation Fund (Item 3600-001-0200) because the department indicates that it will propose a significant amendment to the budget.***

The Fish and Game Preservation Fund (FGPF) accounts for a significant portion—about 45 percent—of the DFG's proposed support level for 1996-97. This fund receives revenues primarily from the sale of hunting and sportfishing licenses, commercial fishing permit fees, landing taxes, and environmental review fees paid by development project applicants. The budget requests \$74.3 million from the FGPF for support of the department in 1996-97.

***Budget Request Will Be Significantly Amended.*** The department and the Department of Finance (DOF) indicate that they will propose to amend the department's budget in the spring of 1996. Specifically, they will submit to the Legislature a Finance Letter which will propose a reorganization of the department in the budget year. The DFG indicates that it will propose to consolidate (1) the number of regional offices from five to three and (2) programs to better focus on habitat protection.

Because details of the reorganization are not yet available, we are not able to provide specific comments on the plan's proposals. Below, we offer some criteria for the Legislature to consider in evaluating the forthcoming proposal, once submitted by the DOF and the DFG.

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- **Programmatic Clarity.** Does the proposed reorganization of the DFG's programs allow the DFG to accomplish its statutory mission, and is it consistent with the department's strategic plan?
- **Organizational Effectiveness.** Does the proposed reorganization provide for clearly defined roles and responsibilities of the DFG's staff, clear lines of communication, and consistent application of department policies?
- **Fiscal Feasibility and Accountability.** Does the reorganization allow the DFG to allocate funding based on programmatic priorities?

**Withhold Recommendation.** Pending receipt of the proposal and related budget information, we withhold recommendation on \$74.3 million from the FGPF proposed for support of the department.

### **Proposed Changes for Natural Community Conservation Planning Program Need Legislative Policy Review**

***We recommend that \$600,000 requested for local assistance grants and \$4.4 million for land acquisition for the department's Natural Community Conservation Planning pilot program be denied because proposed changes in the program's scope and purpose require policy review by the Legislature. (Reduce reimbursements in Item 3600-101-0200 by \$600,000 and reduce Item 3640-301-0262 by \$4.4 million.)***

Chapter 765, Statutes of 1991 (AB 2172, Kelley)—known as the Natural Community Conservation Planning (NCCP) Act—authorized the department to assist public and private agencies in preparing and implementing natural community conservation plans. These plans are intended to facilitate economic development, while protecting wildlife and plant species and their habitat.

***The NCCP Act Pilot Program—Success Not Yet Established.*** The administration initiated the NCCP program in southern California in 1991 as a pilot program, and indicated that it would be expanded statewide if it proved successful. Until now, however, the administration had not proposed to expand the implementation of the program. This is because, in part, the department has yet to evaluate the pilot program and its ultimate success is still uncertain. The program has received support, however, from a range of entities including local government, developers, and environmental groups.

***Administration Now Proposes to Significantly Expand Program's Scope.*** For 1996-97, the administration is proposing to significantly expand the program's scope and the role of the state in its implementa-

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tion. Specifically, the administration indicates that the establishment and management of large habitat preserves is an essential component for successful implementation of the NCCP program, and proposes a significant state role in the funding and establishment of these preserves. In 1996-97, the budget proposes \$600,000 for grants to local governments for preserve management and monitoring and \$4.4 million for land acquisition. (The land acquisition amount is shown in the Wildlife Conservation Board, Item 3640.)

Based on our review, we conclude that Chapter 765 does not authorize the state, as part of its role in the NCCP implementation, to provide grants to acquire land. Furthermore, we have the following concerns with the department's proposal.

- **Proposed Costs Are the Tip of the Iceberg.** The ultimate state costs of the administration's proposal will be significant. For example, the department indicates that the combined state and federal costs to establish preserves for just *one* of the NCCPs in southern California (San Diego's Multiple Species Conservation Program [MSCP]) will be between about \$136 million and \$257 million. This state-federal share represents about 37 percent of the total cost of establishing the MSCP preserves. The department and local and federal agencies determined—without the benefit of legislative review or oversight—that this is an appropriate level of state and federal funding.
  - **Role of Local Agencies and Private Sector Unclear.** Beyond suggesting a state's share of cost, the department has not defined the respective roles of the state and local governments in acquiring or managing the NCCP preserves. Additionally, the role of private developers in funding and maintaining preserves is also not defined.
  - **Geographic Scope of Program Restricted.** Since the administration is not proposing to expand the NCCP program to other geographical areas of the state, it appears that only local governments in the current NCCP area would be eligible for grants and state funding for land acquisition. The department indicates that it would give San Diego County priority because the county has progressed the furthest in developing its NCCP. It is not clear when and whether other areas of the state (that are not currently in the pilot program) will be eligible for grant funds, and what amounts will be available. Similarly, the department has provided no schedule by which it plans to provide funding for preserve acquisition and management in other counties in southern California or in other parts of the state.
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- **Criteria for Local Assistance Grants Unclear.** The department is unable to provide detail on how grant funds would be allocated, including the criteria for grants and the projects that would be eligible.
- **Future Funding Sources Unspecified.** As indicated above, the department's proposal for state involvement in preserve acquisition and management will require significant levels of funding. However, the total potential state cost is not known at this time, and the department has not identified a potential funding source for the program on an ongoing basis. If the San Diego proposal is any indication of ultimate total costs, they could be in the hundreds of millions of dollars.

**Request Raises Significant Policy Issues.** The administration's proposal raises significant issues which the Legislature should review. Pending such review, and legislative direction on how the pilot program should proceed, we recommend that the request for \$600,000 for local assistance grants and \$4.4 million for land acquisition from the HCF for the department's NCCP pilot program be denied.

### **Funding for Natural Community Conservation Planning Program Inconsistent With Statute**

**Although the department has made progress in increasing the share of funding that comes from reimbursements, the Natural Community Conservation Planning program is still not being funded in accordance with statute. We recommend that the department report at budget hearings on the prospects of it being reimbursed for its costs under the program.**

One underlying premise of the NCCP program is that landowners benefit from the program because it provides greater certainty about where and how their development projects may occur. This is because the program is designed, in the long run, to shorten the California Environmental Quality Act (CEQA) process for individual development projects. Chapter 765 requires that the department be fully reimbursed for the costs it incurs in participating in the development and implementation of natural community conservation plans.

**Some Progress, but Reimbursements Fall Short.** As we observed in our *Analysis of the 1995-96 Budget Bill*, it makes sense for project applicants to pay for the costs of developing plans, because in the long run, those plans will shorten the environmental impact review (CEQA) process for individual projects, and facilitate development that is compatible with habitat protection. Indeed, program staff cite increased

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development in areas enrolled in the NCCP program as one indication that the program is achieving its objectives with respect to facilitating development.

For 1996-97, the budget requests for the pilot program \$1.5 million and 16 positions to be continued on a limited-term basis. As Figure 18 shows, reimbursements will account for only \$526,000—about 34 percent—of the program's total 1996-97 funding. (Federal funds will provide \$367,000, about 24 percent of total funding, with state funds providing the balance.)

**Figure 18**

**Department of Fish and Game  
Natural Community Conservation Planning Program  
1996-97 Funding**

(Dollars in Thousands)

Fund Source	Amount	Percentage of Total
General Fund	\$77	5.0%
Federal trust fund	367	24.0
Reimbursements	526	34.4
Fish and Game Preservation Fund	561	36.6
<b>Totals</b>	<b>\$1,531</b>	<b>100.0%</b>

The proposed level of reimbursements represents an increase over the 1995-96 level when reimbursements accounted for only about 13 percent of program costs. While this shows that the department has made progress in increasing the share of program costs provided by reimbursements, the program is still not self-supporting, as required by statute. In past years, this has been a source of concern for the Legislature. Accordingly, we recommend that the department report at budget hearing on the prospects of it being fully reimbursed for its costs under the program.

**Settlement Funds Will Pay  
For Continuing Cantara Spill Effort**

*The department's work related to the Cantara spill, including restoration project implementation and monitoring, is projected to continue until 1999-2000. Funding will be provided by settlement funds received from the Southern Pacific Transportation Company and other litigants.*

**Background.** The DFG is the lead agency for response to a July 1991 chemical spill, known as the Cantara Loop spill, that damaged aquatic

life along 45 miles of the Sacramento River above Lake Shasta. The spill occurred after a Southern Pacific train derailed at the Cantara Loop bridge in Siskiyou County spilling the chemical metam sodium directly into the river. To date, the DFG and other state and federal agencies have incurred costs for spill cleanup and response, damage assessment, and litigation totaling about \$13 million.

**Total Settlement Is \$38 Million.** The state reached a settlement with Southern Pacific Transportation Company and other parties involved in litigation surrounding the spill in March 1995. However, that settlement was challenged by a group of environmental and fishing organizations. In January 1996, litigation ended and settlement funds became available for expenditure. In accordance with the terms of the settlement, federal and state agencies will begin to receive settlement funds totaling \$38 million through 1999-2000. Most of the settlement funds will be paid in the current year. Figure 19 shows the distribution of funds under the terms of the settlement agreement.

<b>Figure 19</b>		
<b>Distribution of Cantara Spill Settlement Funds</b>		
<b>(In Millions)</b>		
<b>Recipients</b>	<b>Settlement Funds</b>	
	<b>1995-96</b>	<b>Total Through 1999-2000</b>
Cantara Trustee Council	\$1.8	\$14.0
Repayments to state and federal agencies	11.5	12.5
Department of Fish and Game future response pool	3.0	3.0
Department of Fish and Game Cantara monitoring and restoration	3.0	5.0
Fish and Game Preservation Fund	2.0	2.0
Other—US-EPA, etc.	1.5	1.5
<b>Totals</b>	<b>\$22.8</b>	<b>\$38.0</b>

Settlement funds will be used for various purposes relating to the restoration of the Upper Sacramento River, response to future emergencies, and repaying state and federal agencies for the costs they have incurred, as detailed below.

- **Cantara Trustee Council.** Expenditures for resource protection, restoration, enhancement, and research by a council comprised of various state and federal agencies, including the DFG (\$14 million).



- **Repayments to State and Federal Agencies.** Repayments to state and federal agencies that incurred costs in responding to the spill, conducting scientific studies, and prosecuting the case. Funds provided to the DFG for spill-related work from the Oil Spill Response Trust Fund and the Outer Continental Shelf Lands Act Section 8(g) fund will also be repaid (\$12.5 million).
- **The DFG Future Response Pool.** Funding for response by the DFG to future emergencies affecting natural resources, to be repaid from recovery proceeds or judgments (\$3 million).
- **The DFG Restoration and Monitoring.** Funds to be used by the DFG for restoration and monitoring of the Upper Sacramento River and its surrounding environment (\$5 million).
- **The Fish and Game Preservation Fund.** Funds available, upon appropriation by the Legislature, for other DFG program costs (\$2 million).

**Budget Request.** For 1996-97, the budget requests \$1 million—the same level of funding as the current year—for the DFG for restoration planning, restoration project implementation, and recovery monitoring. In future years, staffing levels will gradually be reduced as funding available from the settlement is spent.

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## DEPARTMENT OF PARKS AND RECREATION (3790)

The Department of Parks and Recreation (DPR) 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. 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 265 units, including 38 units administered by local and regional park agencies. The system contains approximately 1.3 million acres of land with 280 miles of ocean and 811 miles of lake, reservoir, and river frontage. In 1996-97, about 70 million visitor-days are anticipated at state parks and beaches operated by the department, up from an anticipated 66 million in 1995-96.

The budget proposes expenditures totaling \$201.4 million for departmental support and local assistance in 1996-97. This is a decrease of \$22.1 million, or 9.9 percent, from estimated current-year expenditures. Of the total expenditures, the budget requests \$180.6 million for support of the department, which is a net decrease of \$4.7 million, or 2.5 percent, from the estimated current-year level. In addition, the budget proposes a total of \$20.8 million (from special and federal funds) for local assistance grants. This is a decrease of \$18.4 million, or 47 percent, below estimated current-year spending for local assistance. This decrease reflects primarily a depletion of bond funds for local park development. The budget also proposes \$18.3 million for capital outlay expenditures, including \$5.5 million from the General Fund. (Please see our analysis of these expenditures in the Capital Outlay section of the *Analysis*.)

As discussed in the Crosscutting Issues section in the State Administration chapter, the department is one of five departments selected by the administration for a pilot project in performance-based budgeting.

### **Additional General Fund Support Proposed for State Parks**

*The budget proposes to replace special fund support of the department with additional General Fund support and increased revenues.*

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**Department's General Fund Support Has Fallen.** From 1990-91 to 1995-96, General Fund support for the department fell from \$70.9 million to \$48 million, a decrease of about \$22.9 million or 32 percent. This decrease has left the department increasingly reliant on other funds for its support. In 1993-94, for example, \$8.9 million was transferred from the Off-Highway Vehicle Trust Fund into the State Parks and Recreation Fund (SPRF) for department support. In 1995-96, \$19.4 million was transferred from the California Beverage Container Recycling Fund (CBCRF) to the SPRF for support of the department.

**Budget Proposal.** To replace CBCRF funding in 1996-97, the budget proposes to increase General Fund support for the DPR over the 1995-96 level by \$16.4 million, to \$65.8 million. This augmentation is intended to provide the department with a stable funding level in 1996-97 and allow it to develop a long-term plan to stabilize funding. The plan includes the following components.

- **Increased Revenues.** The department indicates that it will increase revenues to the SPRF by about \$2.5 million in 1996-97—from the estimated current-year level of \$62.4 million to about \$64.9 million—and increase revenues further in future years. Sources to increase revenues include the following:
  - Increases in some state beach and park service fees, such as a \$1 increase in the peak season camping fee.
  - Corporate sponsorships, licensing and merchandising, and advertising.
  - Increases in concessions revenues, and new or expanded programs to generate revenue, such as expanded State Park Store operations.
- **Reduced Level of Operations.** The department plans to reduce its costs to operate the state park system by surplusing (divesting units of lowest statewide significance), privatizing (converting units to operation by a for-profit or nonprofit concessionaire), and converting (handing responsibility for operation of units to local government) various units of the state park system.
- **Operational Efficiencies.** In past years, the department has managed to reduce costs by consolidating operations. The department proposes to continue to reduce costs by operating more efficiently and achieving savings through performance-based budgeting and operational flexibilities.

The department indicates that its plan for stabilizing its support funding and reducing its reliance on the General Fund will allow it to

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keep state parks open to the public, continue to provide services to park visitors, and realign parks and recreation services provided to the public on a statewide basis between state and local governments and the private sector.

### **Elements of Funding Stabilization Plan Still Need Definition**

***We recommend that the department report at budget hearings on its proposal to increase revenues, reduce operations, and achieve savings in 1996-97, and its expenditure priorities in the event that revenues fail to meet projections.***

At the time this *Analysis* was prepared, many elements of the department's plan to increase revenues, reduce operations, and operate more efficiently over future years were still being developed. Below, we discuss in more detail each component of the department's funding stabilization plan and some concerns that the plan should address.

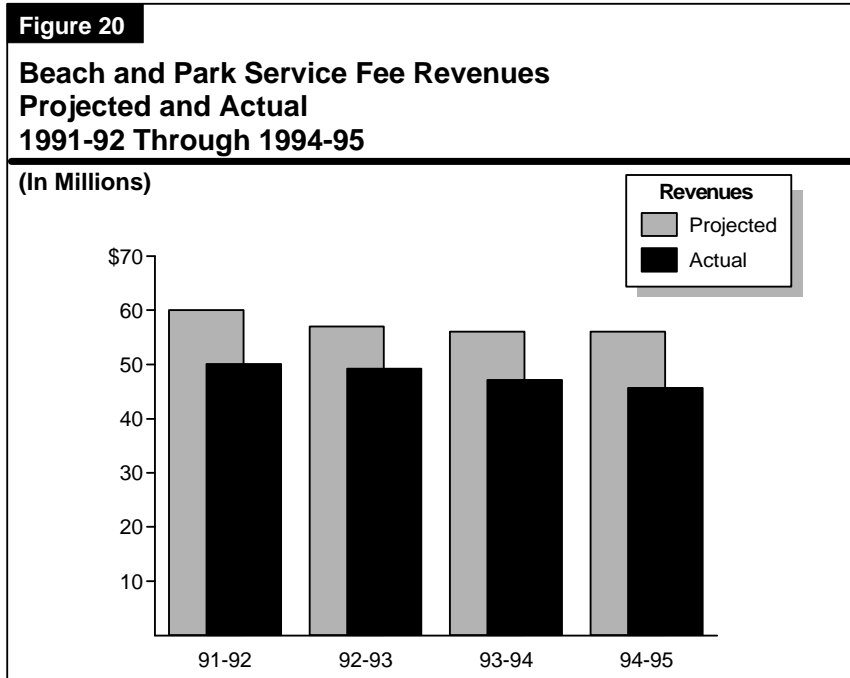
***Department Has Typically Overestimated Revenues.*** The department expects to increase SPRF revenues in 1996-97, by among other things, increasing park and beach fees. Park and beach fee revenues account for the bulk of SPRF revenues. In 1994-95, about \$45.6 million (83 percent) of SPRF revenues were from service fees. However, our review indicates that revenue increases projected by the department may not materialize. As Figure 20 shows, park service fee revenues in recent years have fallen short of the department's projections by an average of \$9.3 million, or 16 percent, annually. Based on this experience, and given no change in the department's methodology for projecting revenues, there is no reason to assume that the department's projections for 1996-97 will be more accurate.

***Current-Year Revenues Are Falling Short of Projections.*** This overestimation continues in the *current* year. Specifically, actual revenues have fallen significantly short of projections in two of the first six months of 1995-96. As a result, actual revenues were \$2.3 million, or about 8.5 percent, below projected levels for July through December 1995.

If revenues to the SPRF do not meet projections in 1996-97, the department will either have to rely on alternative fund sources or decrease expenditures. The department's funding plan should identify expenditure priorities in the event that revenues fall short of projections.

***Reduction in Operations Not Yet Defined.*** At the time this *Analysis* was prepared, the department had not identified which park units it would recommend to be privatized, surplused, or converted to local control. The department plans to complete this list by June 1996.

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In "Making Government Make Sense" (please see our *1993-94 Budget: Perspectives and Issues*, pages 111-132), we described a model in which duties are assigned to the state based primarily on whether those duties represent truly statewide functions and state control is necessary to ensure adequate service levels. Consistent with this framework, we think that the department should assess whether ownership and management of particular park units should be the responsibility of the state, as opposed to local government or nonprofit or for-profit organizations. We also think it is important that the department's funding plan clearly identify not only the particular units proposed for privatization, surplusing, and conversion, but also the department's criteria in selecting those units.

**Operational Cutback Resulted in Deferred Maintenance Backlog.** In the past, the department has managed to sustain budget reductions and revenue shortfalls without having to significantly reduce service levels, such as closing parks. The department has been able to do this in part by deferring expenditures, such as operations and maintenance. The department indicates that the current backlog of deferred maintenance is about \$35 million.

The department does not currently have a multiyear plan to address this backlog, but indicates that it will develop such a plan. In our view, the development of such a plan is critical. This is because the department's ability to continue to defer these costs is limited and deferrals do not provide a long-term solution to the department's funding problems. Moreover, continuing to defer maintenance will likely result in degradation of park units and ultimately have a direct impact on the department's ability to accomplish its mission. Deferring maintenance will also result in higher costs at a later time to fully replace or rehabilitate structures or facilities that have not been properly maintained.

**Recommendation.** The department faces the long-term challenge of establishing stable sources of support funding and a level of operations commensurate with that level of funding. Many of the details of the department's plan to stabilize its support funding are still being developed. Accordingly, we recommend that the department provide at budget hearings further details on its proposal to increase revenues, reduce operations, and achieve savings in 1996-97, and report on its expenditure priorities in the event that revenues fail to meet projections.

### **Funding Plan Should Reflect Legislative Priorities**

***We recommend that \$2.8 million requested for department support of park units that have boating-related activities be funded out of the Harbors and Watercraft Revolving Fund (HWRF) instead of from the General Fund, as this is an appropriate use of the HWRF. We further recommend that the Legislature convene a task force to assess long-term demands on the state park system and the appropriate level of funding and mix of fund sources for support of the system. (Reduce Item 3790-001-0001 by \$2,800,000 and create new Item 3790-001-0516 for \$2,800,000.)***

The department's funding stabilization proposal presents the Legislature with important decisions—both long-term and short-term—about the sources of funding, scope of operation, and the future development of the state parks system.

**Alternative Sources of Department Funding.** In the short term, as we discuss above, the department's proposal relies primarily on an increase in support from both the General Fund and the SPRF revenues (such as from increased park service fees). We think it is important that the Legislature review all options in assessing this proposal. Accordingly, we discuss below some special funds the Legislature could draw on for the department's support in lieu of the requested funds.

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- **Harbors and Watercraft Revolving Fund.** Under existing law, revenues in the HWRF are available for appropriation to the DPR for the operation and maintenance of units of the state park system that have boating-related activities. However, the budget proposes to provide *no* funding from the HWRF to the department in 1996-97. Our recommendations elsewhere in this *Analysis* (see the Department of Water Resources, Item 3860) would free up \$2.8 million in HWRF funds. We recommend that these funds be provided to the DPR for the support of state park units that have boating-related activities in lieu of monies from the General Fund. We think that this amount is well within the range of the appropriate level of HWRF support for the DPR, since according to the DPR, between about 12 percent and 15 percent of the department's annual attendance at park units can be attributed directly to boating use.
- **Environmental Enhancement Fund.** The Environmental Enhancement Fund (EEF) receives revenues from penalties collected under the state's oil spill program for environmental enhancement projects within or immediately adjacent to marine waters. The Legislature could allocate a portion of these funds—which total \$460,000 in 1996-97—to the DPR for restoration and enhancement of coastal state park units.
- **Environmental License Plate Fund.** Based on our recommendations elsewhere in this *Analysis* (see the Department of Conservation, Item 3480, and the Secretary for Resources, Item 0540), additional Environmental License Plate Fund (ELPF) funds are available for appropriation to the department for restoration of natural areas and fish and wildlife habitat in state park units, in lieu of General Fund monies. Use of the ELPF for these purposes would be consistent with statutory restrictions on the use of the ELPF, which we discuss in the Crosscutting Issues section of this chapter.

**Legislature Should Convene a Task Force.** We think it is important that the Legislature review not only the short-term funding options for the department, but also the *long-term* options in responding to the department's funding proposal, and be involved in the development of a long-term solution. Accordingly, we recommend that the Legislature convene a task force to assess (1) long-term demands on the state park system, especially in light of the state's increasing population, and options for responding to those demands, and (2) the appropriate level of funding and mix of funding—including General Fund, park service fees, and other special funds—in supporting the system.

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In addition to using state parks to protect the state's natural resources and provide recreational opportunities, the Legislature has also expressed interest in using the state park system to accomplish other policy objectives as well. For example, in 1995, the Legislature passed AB 324 (Cortese) which would have created a task force to examine potential uses of state and local park and recreation facilities and staff in providing youth services. (The Governor vetoed this legislation.) Accordingly, we recommend that the task force also be charged with assessing the potential role of the state parks system in achieving policy objectives outside of its traditional responsibilities, such as reducing crime and educating young people.

**Summary.** In both the long term and short term, we think it is important that the development, operation, and funding of the state park system be based on clearly defined legislative priorities. Accordingly, we recommend that \$2.8 million requested for department support of park units that have boating-related activities be funded out of the HWRF instead of from the General Fund, as this is an appropriate use of the HWRF under existing law. We further recommend that the Legislature convene a task force to assess (1) the long-term demands on the state park system, (2) the appropriate level and mix of funding for the system's support, and (3) the role of the state parks system in achieving policy objectives outside of its traditional responsibilities.

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## **SANTA MONICA MOUNTAINS CONSERVANCY (3810)**

The Santa Monica Mountains Conservancy (SMMC) purchases lands and provides grants to state and local agencies and nonprofit organizations to conserve open space and improve recreational opportunities in the Santa Monica Mountains Zone and the “Rim of the Valley Corridor” adjacent to the San Fernando Valley. It promotes these objectives 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, (4) restoring natural resource areas, and (5) implementing programs to improve access from surrounding inner city areas.

The budget requests a total of \$580,000 from the General Fund (\$96,000), the Santa Monica Mountains Conservancy Fund (SMMCF—\$444,000) and reimbursements (\$40,000) for support of the conservancy in 1996-97. Funds in the SMMCF primarily come from reimbursements from the Mountains Recreation and Conservation Authority (MRCA) and sales of conservancy property. The MRCA is a joint powers authority made up of the conservancy and two local recreation and park districts in the Santa Monica Mountains area. Conservancy staff indicate that by receiving General Fund support, the SMMC is entitled to receive free legal representation from the Attorney General, up to a specified allotment of hours, for which the conservancy would otherwise have to pay.

The budget proposes no capital outlay expenditures by the conservancy in 1996-97, down from estimated capital outlay expenditures of \$1.1 million in 1995-96 and \$10 million in 1994-95. Under Proposition 117, the California Wildlife Protection Act of 1990, the conservancy received \$10 million annually for capital outlay for five years beginning in 1990-91. The final year of this \$10 million annual allocation was 1994-95.

### **Proposed General Fund Support Is Inconsistent With Legislative Direction**

***We recommend that the proposed appropriation for \$96,000 from the General Fund to support the conservancy be deleted because the request***

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***is inconsistent with legislative intent that beginning July 1, 1995, no General Fund money be appropriated for support of the conservancy. We further recommend that the conservancy report at budget hearings on its efforts over the last three years to reduce its reliance on General Fund support. (Eliminate Item 3810-001-0001 for \$96,000.)***

***Proposal to Use General Fund Is Inconsistent With Legislative Direction.*** Chapter 1304, Statutes of 1992 (AB 3248, T. Friedman) eliminated the July 1, 1995 “sunset” requirement in law for the SMMC, thereby permanently establishing the conservancy. However, Chapter 1304 also declared legislative intent that beginning July 1, 1995, no money should be appropriated from the General Fund for the support of the conservancy. Instead, other funding sources should be utilized, including the SMMCF, other special funds, donations, and local funding sources. Additionally, Chapter 1304 specified that in order to ensure an orderly transfer of funding sources, the conservancy should reduce operations to compensate for the loss of General Fund support or seek additional non-General Fund sources of revenue.

***Proposed Level of Support Funding Not Justified by Capital Outlay Workload.*** The budget proposes *no* capital outlay expenditures by the conservancy in 1996-97. This, as indicated above, is because beginning in 1995-96, the conservancy no longer receives funds allocated by Proposition 117. In past years, developing and implementing capital outlay projects (such as acquiring and restoring open space) accounted for most of the conservancy's workload. Relatively little of the conservancy's support costs have been for ongoing property maintenance. However, the level of support funding proposed for 1996-97 has not been adjusted to reflect this decline in capital outlay workload. Instead, proposed support funding is at the same level of funding as estimated current-year expenditures. Given the significant decline in the conservancy's capital outlay in both 1995-96 and 1996-97 relative to prior years, we do not believe that the proposed level of support funding is justified.

***Recommendation.*** Given legislative direction and the decreased workload projected for 1996-97, we do not believe that the request for \$96,000 from the General Fund for conservancy support is justified. Accordingly, we recommend the elimination of \$96,000 in General Fund support for the conservancy. We further recommend that the conservancy report at budget hearings on its efforts over the last three years to reduce its reliance on General Fund support.

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## DEPARTMENT OF WATER RESOURCES (3860)

The Department of Water Resources (DWR) protects and manages California's water resources. In this capacity, the department implements the State Water Resources Development System, including the State Water Project (SWP). The department also maintains public safety and prevents damage through flood control operations, supervision of dams, and safe drinking water projects.

The budget proposes total expenditures of \$825.2 million in 1996-97, a decrease of \$151 million, or 16 percent, from estimated current-year expenditures. This reduction is due to a decrease in capital outlay expenditures, as portions of the SWP are completed.

Total expenditures include \$695.5 million financed with the SWP funds and \$49.3 million in bond funds for safe drinking water loans and grants. Appropriations in the Budget Bill provide the remaining \$80.4 million, of which \$16.2 million is from the General Fund. The General Fund amount is \$141,000, or 0.9 percent, above the estimated current-year General Fund expenditures.

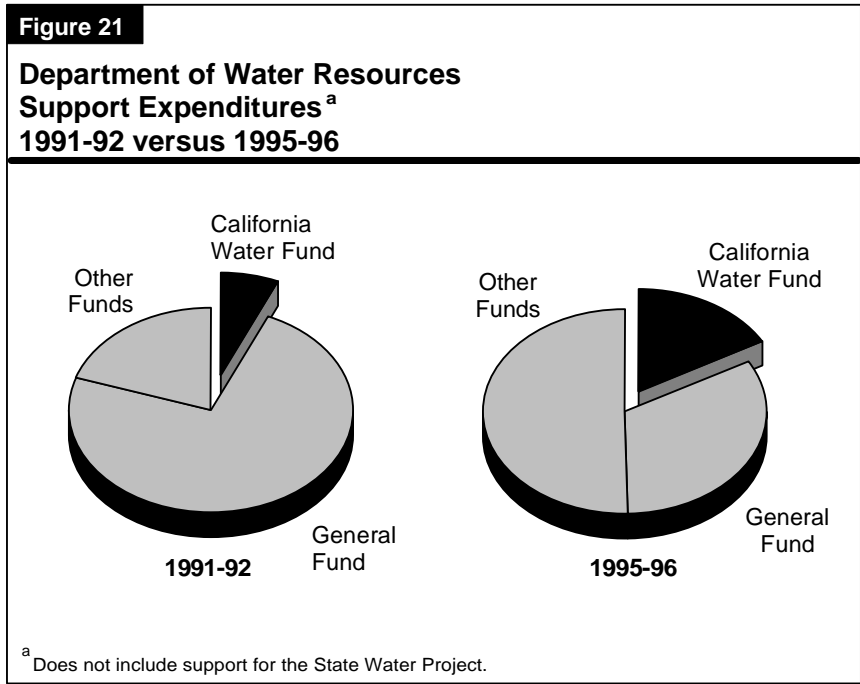
### **California Water Fund Increasingly Used for Administration Rather Than Statutory Purposes**

*The California Water Fund has provided an increasing share of support for the department in recent years, which has reduced the availability of the fund for statutory purposes. In 1996-97, the budget proposes to increase this share still further.*

The California Water Fund (CWF), created in 1959, derives its revenues primarily from contractors who pay for the delivery of water from the SWP. Under existing law, the CWF provides funding for construction of the SWP and for various statutory uses, including the following:

- Preservation and protection of Mono Lake and other environmental purposes (Ch 715/89 [AB 444, Isenberg] and Ch 716/89 [AB 1442, Baker]).
  - Acquisition and retirement of irrigated agricultural land in the San Joaquin Valley (Ch 959/92 [SB 1669, Hill]).
  - Delta levee flood subventions (Ch 28/88 [SB 34, Boatwright]).
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**The CWF Provides Increasing Share of the DWR Support.** In addition to these statutory purposes, the CWF is also used to support the DWR's costs of water management planning and data collection and evaluation. In 1991-92, the CWF provided a relatively small portion of the DWR's total support—about \$2.4 million or 6.5 percent—as Figure 21 indicates. Beginning in 1992-93, however, the DWR's support from the CWF increased significantly, replacing General Fund support due in part to the overall fiscal condition of the state's General Fund. By 1995-96, the CWF accounted for about \$8.3 million or 17 percent of the DWR's support budget, not including support costs for the SWP. In contrast, General Fund support for the department decreased from 74 percent to 33 percent.



**Use of CWF For Department Support Has Reduced Availability for Statutory Purposes.** This shift from the General Fund to the CWF for support of the department has reduced the availability of the CWF funds for statutory purposes. For example, Chapter 716 expressed the Legislature's intent that a total of \$65 million be transferred from the CWF into the Environmental Water Fund (EWF) from 1990-91 through 1998-99, for expenditure on environmental projects and programs. However, through 1995-96, the transfers to the EWF have been less than required by a total of \$21.2 million, as shown in Figure 22.

<b>Figure 22</b>	
<b>California Water Fund Transfers To the Environmental Water Fund 1991-92 Through 1995-96</b>	
<b>(In Millions)</b>	
Amount to be transferred under Ch 716/89 (AB 1442, Baker)	\$40.0
Amount actually transferred	18.8
<b>Difference</b>	<b>\$21.2</b>

***The CWF Funding for Department Support to Increase in 1996-97.*** For 1996-97, the budget proposes that the CWF provide an even greater share of department support than in prior years. The requested amount of \$13.2 million would constitute 25 percent of the DWR's support budget (not including support costs for the SWP). The money would be used primarily to fund water management planning and data collection and evaluation programs.

To free up CWF funds for department support, the budget proposes to fund some statutory purposes of the CWF from alternative sources instead. For example, the budget requests \$1 million for the retirement of irrigated agricultural land in the San Joaquin Valley not from the CWF, but from the Habitat Conservation Fund. The budget also proposes to replace \$2.8 million of the CWF funding for Delta levees subventions with funds from the Harbors and Watercraft Revolving Fund (HWRF). (We discuss these requests separately later in this write-up.) However, the budget makes no proposal to reduce the amount—\$21.2 million—due to the EWF under Chapter 716.

**Use of Harbors and Watercraft Funds Inconsistent With Statute**

***We recommend that \$2.8 million requested for local subventions for Delta flood protection and control be funded out of the California Water Fund (CWF), in accordance with statute, instead of the Harbors and Watercraft Revolving Fund. We further recommend that \$2.8 million requested from the CWF for departmental support be replaced with a like amount of General Fund. (Eliminate Item 3860-101-0516 [\$2,800,000], increase Item 3860-005-0144 by \$2,800,000, increase Item 3860-101-0176 by \$2,800,000, reduce Item 3860-001-0144 by \$2,800,000, and increase Item 3860-001-0001 by \$2,800,000.)***

**Budget Proposes Harbors and Watercraft Funds for Delta Flood Protection.** Current law—Ch 28/88 (SB 34, Boatwright)—declares the Legislature's intent to transfer \$12 million annually from the CWF to the Delta Flood Protection Fund (DFPF) for Delta flood protection uses. For 1996-97, the budget proposes \$9.1 million from the CWF and \$2.8 million from the HWRF for the Delta flood protection and control subventions program.

**Use of Harbors and Watercraft Funds Inconsistent With Statute.** The department indicates that the HWRF funds will be used to repair and rebuild levies in the Delta, which will protect navigable waterways, watercraft harbored in the Delta, and public facilities such as marinas and harbors. Thus, according to the department, the use of the HWRF for Delta flood protection is justified.

However, our analysis indicates that under current law, the department is not eligible to use the HWRF funds for flood protection. This is because current law specifies that the HWRF funds are available upon appropriation to (1) the Department of Boating and Waterways for boating facilities development, boating safety, and boating regulation programs and (2) the Department of Parks and Recreation (DPR) for the operation and maintenance of units of the state park system that have boating-related activities.

Consistent with statutory direction, we think that the CWF ought to be used for Delta flood protection instead of the HWRF. Accordingly, we recommend that \$2.8 million from the CWF rather than the HWRF be provided for Delta levee protection, in accordance with statute.

**The DWR Support Should Be Shifted to General Fund.** As we discuss in our write-up on the DPR (Item 3790), the budget proposes an augmentation in the DPR's General Fund budget of \$16.4 million, but no funding from the HWRF, which is an appropriate fund source to support the DPR's boating-related activities and programs. In that item, we recommend that \$2.8 million in HWRF be provided to the DPR in 1996-97, freeing up a like amount of General Fund monies. In turn, these General Fund monies could be used in lieu of CWF monies in this item to support the DWR. This shift would free up the CWF to support the Delta Flood Protection Program.

**Summary of Fund Shift Actions.** The purpose of our recommendation is to ensure that various funds are used more in accordance with their statutory purposes. The fiscal effect of our recommendations is summarized below:

- Use CWF in lieu of the HWRF for Delta flood protection and control (this item).
  - Use General Fund in lieu of the CWF for support of the DWR (this item).
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- Use the HWRF in lieu of General Fund for support of state park units with boating-related activities (DPR item, 3790).

### **San Joaquin Drainage Relief Program Not Yet Self-Sufficient**

***We recommend that the department report at budget hearings on how it will achieve self-sufficiency in the San Joaquin Drainage Relief Program, in accordance with statute.***

Chapter 959 established the San Joaquin Valley Drainage Relief Program, to encourage the retirement of irrigated land and help resolve subsurface drainage problems in the San Joaquin Valley. Under the program, the DWR is authorized to acquire and retire agricultural lands with poor drainage, and to market water that is conserved as a result of retirement of land to public agencies, nonprofit organizations, or water utilities. The DWR is required to ensure that retired lands are managed as wildlife habitat, wetlands, or nonirrigated agricultural land, and to coordinate with the Department of Fish and Game to ensure that adequate funds are available to manage those lands.

Under Chapter 959, funds from the sale of water are deposited into the San Joaquin Valley Drainage Relief Fund, which is continuously appropriated to the department for acquisition and retirement of additional agricultural lands, land management, and administrative costs. Chapter 959 required that the program become self-supporting when fully implemented.

***Habitat Conservation Fund Provides Both Current-Year and Budget-Year Funding.*** In the current year, the first year of operation of the program, the DWR projects that it will spend \$1 million in reimbursements, provided to the department by the Wildlife Conservation Board from the Habitat Conservation Fund (HCF), to acquire and retire agricultural lands. At the time this analysis was prepared, however, the department had not acquired any land, and consequently had not generated any revenues from the sale of water. In 1996-97, the budget proposes one position and \$1.1 million, again from the HCF, to continue to acquire and retire agricultural lands.

The department indicates that it has undertaken preliminary analysis to determine the viability of the program as a self-supporting program. However, all funding for the program to date has been provided by the HCF. Because implementation of the program could entail significant costs, we think it is important that the Legislature be apprised of the program's status. Accordingly, we recommend that the department report at budget hearings on its plan to acquire irrigated land, the total estimated costs of land acquisition, and when the department anticipates the program will become self-supporting.

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## CALIFORNIA INTEGRATED WASTE MANAGEMENT BOARD (3910)

The California Integrated Waste Management Board (CIWMB), in conjunction with local agencies, is responsible for promoting waste management practices aimed at reducing the amount of waste that is disposed in landfills. Cities and counties develop solid waste management plans—which must be approved by the CIWMB—showing how 50 percent of solid waste will be diverted from landfills by 2000. The CIWMB administers various programs which promote waste reduction and recycling, with particular programs for waste tire and used oil recycling. The board also regulates landfills through a permitting, inspection, and enforcement program that is mainly enforced by local enforcement agencies that are certified by the board. In addition, the CIWMB oversees the cleanup of abandoned solid waste sites.

The budget proposes total expenditures of \$74.5 million from various funds (primarily special funds) for support of the CIWMB. This is a reduction of \$1.5 million, or 2 percent, from estimated 1995-96 expenditures. Major budget adjustments include (1) \$2.6 million for loans to local governments and businesses to develop markets for recycled goods, and (2) \$1.4 million for grants and contracts for research, public education, and other activities in the tire recycling program.

### Tire Grant Program Has Been A Mixed Success

*We recommend that \$1.4 million proposed to increase grants and contracts in the tire recycling program be rejected due to the lack of justification for additional grant funds and the mixed success of previous grants. We further recommend that the Legislature adopt supplemental report language directing the California Integrated Waste Management Board, in its 1997-98 and future years' budget requests, to identify the nature and types of grants that have been most effective and therefore should be targeted for funding. (Reduce Item 3910-001-0226 by \$1.4 million.)*

**Recycling Program's Purpose Is to Divert Waste Tires From Landfills and Stockpiles.** Chapter 974, Statutes of 1989 (AB 1843, W. Brown) required the CIWMB to establish a tire recycling program that promotes and develops alternatives to landfill disposal and stockpiling of used

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tires. This program is funded by a disposal fee of 25 cents per tire levied when used tires are left for disposal at a seller of new or used tires. This fee generates about \$3.5 million in revenues each year which are deposited into the Tire Recycling Management Fund.

Chapter 974 also authorized the CIWMB to award grants, contracts, or loans to public agencies and businesses for various purposes. These purposes include research aimed at developing technologies and applications that reduce the disposal of tires in landfills, collection programs, and public education programs. In addition, grants and loans can be awarded to any entity that is involved in activities that result in less landfill disposal or stockpiling of tires.

**Budget Proposes More Grants and Contracts.** The board estimates that expenditures for the tire recycling program will total \$3.8 million in 1995-96. Of this amount, \$2.2 million is for external grants and contracts. The budget requests \$4.9 million for the program in 1996-97, including a \$1.4 million increase in external grants and contracts.

The board, however, has provided few details to substantiate the need for additional grant funds. Instead, it appears that the board's request is in response to an increase in available revenues. The board also has not provided details setting out the priorities for the awards of the grants in 1996-97. Additionally, our review of the results of the grants which have been previously awarded finds that these grants have produced mixed results, and that there is a need to better target grant funds to activities which will produce effective results.

**Grants Have Produced Mixed Results.** Under the current program, the board awards grants for projects that will be completed within a two-year period. Since the grant program was instituted, only one grant cycle—pertaining to grants awarded in 1992-93—has been completed. The board has tabulated the results from these grants. Later this year, the CIWMB will be in a position to evaluate the grants awarded in 1993-94.

In the 1992-93 grant cycle, about \$1.9 million was awarded to 45 public and private entities. Our review finds that between 50 percent and 60 percent of these grants resulted in an actual or potential diversion of tires from landfills and stockpiles. Particularly successful were grants to set up local tire amnesty days, as well as research and demonstration projects to determine the recyclability of waste tires for road construction and a few other specific purposes.

However, the remaining grants—as much as 50 percent of the total—did not appear to produce results leading to either an actual or potential diversion of waste tires from landfills and stockpiles. Among

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these grants was a \$100,000 award to a marine society to build an artificial reef made of waste tires which was designed to attract fish. This grant was later terminated when various state officials raised environmental and public safety concerns and refused to grant the necessary permits. In addition, several grants were terminated early because the grantee was unable to carry out the proposed project, and various grants for "innovative research" did not result in a potential for waste diversion.

**Most of Waste Diversion Not Attributable to Grants.** According to the CIWMB, the rate of diversion of waste tires from landfills and stockpiles has increased significantly from 34 percent in 1990 to 62 percent in 1994. For 1994, this represents a diversion of about 18 million of the 29 million waste tires that were generated that year. However, only a small proportion of this diversion (less than 5 percent) appears to be directly attributable to the board's tire grant program. Rather, a majority of the diversion relates to known well-established uses of waste tires, such as a fuel in cement kilns.

**Expansion in Grant Program Not Warranted.** While the proposed increase in grants and contracts for the tire recycling program is consistent with statute, we do not think the requested increase is justified in light of the lack of clear reasons for additional grants and given the ineffectiveness of a significant proportion of past grants. Therefore, we recommend the requested increase be rejected. We further recommend that the Legislature adopt the following supplemental report language to ensure that the CIWMB targets its grants towards activities that are most likely to result in, or create the potential for, a significant diversion of waste tires from landfills and stockpiles:

In order that the Legislature may assess, and ensure, the effectiveness of the grants, loans, and contracts in the California Integrated Waste Management Board's tire recycling program, the board shall, as part of its 1997-98 and future years' budget request, provide the following information:

- The results of all grants, loans, and contracts in the tire recycling program that were completed in the most recent fiscal year, including the amount of diversion of waste tires from landfills and stockpiles that can be attributed directly to these grants, loans, and contracts.
- An identification of the kinds of activities funded by grants, loans, and contracts that have been particularly effective at achieving, or creating the potential for, waste diversion.

It is the Legislature's intent that the board target its grants, loans, and contracts in the tire recycling program towards the identified types of activities that have proven to be particularly effective.

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## DEPARTMENT OF PESTICIDE REGULATION (3930)

The Department of Pesticide Regulation (DPR) administers programs to protect the public health and the environment from unsafe exposures to pesticides. The department (1) evaluates the public health and environmental impact of pesticide use, (2) regulates, monitors, and controls the sale and use of pesticides in the state, and (3) develops and promotes the use of reduced-risk practices for pest management. The department is funded primarily by a tax on the sale of pesticides in the state, and by the General Fund.

The budget proposes expenditures of \$47.2 million for the DPR in 1996-97, a decrease of \$1 million, or 2 percent, from estimated current-year expenditures. Of the total amount, about \$36 million will be expenditures for departmental support, and \$11.1 million for local assistance. Major budget proposals include a reduction of \$798,000 and 16 positions in various programs reflecting efficiencies. (Please see our write-up on this proposal in the Crosscutting Issues section of this chapter.)

### Major Funding Shortfall Will Occur After 1997-98

***We recommend the department report, prior to budget hearings, on its program and funding priorities given the scheduled reduction in the mill tax rate in 1997.***

***Mill Tax Rate Will Drop in 1997.*** The primary source of funding for the DPR is a tax levied on the sale of registered pesticides in the state (the mill tax). The mill tax is currently levied at a rate of 22 mills (2.2 cents) per dollar of sales. Under current law, about 6.6 mills are distributed to the counties for enforcement activities. The remainder, about 15.4 mills, are available for state operations of the department.

Except for a small amount which is deposited in the Food and Agriculture Fund, all of the mill tax revenues are deposited in the Department of Pesticide Regulation Fund. In 1996-97, revenues from the mill tax are projected to be \$30 million, with about \$21.3 million available for the department.

Current law provides that, as of July 1, 1997, the 22 mill rate will revert to 9 mill—the rate which existed prior to 1992. Of the 9 mills, about 5.6 mills will be distributed to counties, leaving 3.4 mills for state support.

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**Lower Mill Tax Rate Will Result in Substantial Revenue Loss for Department.** While the counties will receive slightly less revenue from the mill tax when the tax rate drops in 1997, the department will receive substantially less revenue. Assuming no change in the sale of pesticides, we project that annual mill tax revenues available for the department will decline from \$21.3 million to \$4.7 million when the tax rate changes in 1997. This represents a decrease of about 78 percent in tax revenues.

**Major Shortfall in DPR Fund After 1997-98.** Figure 23 shows projected revenues and expenditures in the DPR Fund for 1997-98, assuming that the mill tax reverts to the 9 mill rate on July 1, 1997. The figure also assumes that expenditures, and revenues from sources other than the mill tax (mainly registration and license fees), will remain the same as in 1996-97. The figure shows that in 1997-98 expenditures will exceed revenues by \$14.2 million. Because the DPR Fund is projected to have an accumulated reserve of \$13.8 million by the end of 1996-97, maintaining the 1996-97 level of expenditures in 1997-98 would create a funding shortfall of \$400,000. However, in 1998-99, the shortfall would increase significantly to \$14.6 million.

<b>Figure 23</b>			
<b>Department of Pesticide Regulation Fund</b>			
<b>Revenues and Expenditures</b>			
<b>1995-96 Through 1997-98</b>			
<b>(In Millions)</b>			
		<b>Projected</b>	
	<b>1995-96</b>	<b>1996-97<sup>a</sup></b>	<b>1997-98</b>
Revenues	\$33.3	\$33.4	\$16.8
Expenditures	31.7	31.0	31.0
Difference	\$1.6	\$2.4	-\$14.2
Carryover reserve	\$9.8	\$11.4	\$13.8
<b>Surplus/Deficit</b>	<b>\$11.4</b>	<b>\$13.8</b>	<b>-\$0.4</b>

<sup>a</sup> Based on 1996-97 Governor's Budget.

In order that the Legislature may assess the department's program priorities at various funding levels, including at a mill tax rate of 9 mills, we recommend that the department report, prior to budget hearings, on (1) the department's expenditure priorities at a mill tax rate of 9 mills, (2) the department's expenditure priorities for activities that would go unfunded at a mill tax rate of 9 mills, and (3) the department's proposals for funding options, such as different mill tax rates and new funding sources, including how the department would reduce expenditures if funding is less than the current level.

## STATE WATER RESOURCES CONTROL BOARD (3940)

The State Water Resources Control Board (SWRCB) regulates water quality in the state and administers water rights.

The board carries out its water quality responsibilities by (1) establishing wastewater discharge policies; (2) implementing programs to ensure that the waters of the state are not contaminated by surface impoundments, underground tanks, or aboveground tanks; and (3) administering state and federal loans and grants to local governments for the construction of wastewater treatment facilities. Nine regional water quality control boards establish waste discharge requirements and carry out water pollution control programs in accordance with state board policies. These regional boards are funded by the state board and are under the state board's oversight.

The board's water rights responsibilities involve issuing and reviewing permits and licenses to applicants who wish to take water from the state's streams, rivers, and lakes.

The budget proposes expenditures of \$291 million from various funds for support of the SWRCB in 1996-97. This amount is about the same as estimated current-year expenditures. Major budget proposals include (1) an increase of \$10 million to process more claims in the Underground Storage Tank Cleanup Fund (USTCF) program, (2) a reduction of \$3.8 million in the Water Quality Management (WQM) program due to a lack of funding, and (3) an increase of \$2 million for oversight of cleanup of leaking underground storage tanks.

### **Future Direction of Underground Tank Program Uncertain**

*The future direction of the underground tank program is uncertain given a current review of cleanup standards for this program. We recommend that the board report at budget hearings on the status of its review, as well as on the costs and benefits of a possible shift in policy that would lower the level of cleanup required of leaking tanks.*

**Tank Program Is Board's Largest Program.** The budget requests about \$170 million for support for the Underground Storage Tank

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Program in 1996-97, representing close to 60 percent of total expenditures for the board. Of this amount, \$154 million is from the USTCF for support of the Underground Storage Tank Program. The USTCF is funded by a per gallon storage fee on petroleum tank owners. The program has three major components: (1) permitting of underground tanks (containing hazardous substances, such as petroleum), (2) cleanup of leaking tanks under local oversight, and (3) payment of claims for cleaning up leaking tanks.

Since 1983, close to 30,000 out of up to 200,000 tanks in the state have been found to be leaking. Of these leaking tanks, about 8,500 tanks have been cleaned up and over 20,000 tanks still require cleanup action. Regional water boards and, where authorized, local oversight agencies, order and approve cleanup plans and supervise tank cleanups.

Demand for reimbursements from the USTCF to help pay for cleanup costs far exceeds available funds. The board estimates that from 1992-93 to the end of the current year, it will have authorized 3,285 payments totaling \$386 million, having actually paid \$228 million in progress payments as cleanup work is completed. However, there will still be 5,968 requests, representing more than \$1 billion of claims, that remain unprocessed.

**Board Is Reviewing Cleanup Standards.** Chapter 1191, Statutes of 1994 (SB 1764, Thompson) required the SWRCB to convene an advisory committee to review and make recommendations by September 1, 1995 regarding the operations and policies of the petroleum underground tank cleanup program. (At the time this *Analysis* was prepared, the advisory committee had not made its recommendations to the board.) By March 1, 1997, the board is required to adopt standards for the cleanup of leaking petroleum tanks, taking into account the committee's recommendations. Until these standards are adopted, federal and state laws regarding hazardous substances govern the level of cleanup required.

Among the information reviewed by the advisory committee is a year-long study by the Lawrence Livermore National Laboratory (LLNL). According to the board, the study found that the environmental impact from leaking underground petroleum tanks is not as severe as once thought, given natural processes that remove toxic substances from the leaks. Although the board has not yet adopted cleanup standards as required by Chapter 1191, it directed the regional boards and local oversight agencies in December 1995 to consider the LLNL study's recommendations when making cleanup decisions. The board recommended that cleanup of leaking tanks be replaced with monitoring in certain low-risk cases.

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***Change in Cleanup Standards Could Significantly Change Program.***

At the time this *Analysis* was prepared, it was not known how the board will respond to the LLNL study and other materials presented to the advisory committee. Depending on the standards adopted, there could be a potentially major impact on both the level of expenditures for state oversight of cleanup activities and claims for cleanup activities. To the extent that, on average, a lower level of cleanup would be required than in the past, expenditures for oversight and cleanup claims would go down over time.

In order that the Legislature may be advised of the costs and benefits of this possible shift in board policy, we recommend that the board report, at budget hearings, on (1) the advisory committee's recommendations, (2) the board's response to these recommendations, and the basis for determining whether changes in the cleanup process are warranted, and (3) the costs and benefits of changing the cleanup standards. This information should include the potential impact of the board's policy on (1) state and local oversight and other administrative costs, (2) the level of environmental protection, (3) the level of fees paid by tank owners, (4) cleanup expenditures of tank owners, and (5) level of claims to the USTCF.

**Lack of Funding for  
Water Quality Management Program**

***The budget proposes a \$3.8 million reduction in the Water Quality Management program due to lack of funding. We recommend that the board report at budget hearings on its expenditure priorities at the reduced funding level and the impact of this reduction on the board's other programs, including permitting.***

The WQM program assesses the state's water quality. This is done in order to update the water quality standards and plans which form the basis of the board's permitting program. The primary funding source for the program prior to 1994-95 had been various bond funds. Other support came from the General Fund and federal funds.

***Major Reductions in the WQM Program.*** In the current year, program expenditures are estimated to total \$8.7 million, about 45 percent less than 1992-93 expenditures. The 1996-97 budget reflects a further major reduction in program support—to \$4.9 million. Of this amount, \$3.7 million is from the General Fund, and \$1.2 million is from the Waste Discharge Permit Fund (WDPF).

The *Supplemental Report of the 1995 Budget Act* requires the board to submit a report on options to fund the WQM program in 1996-97 and

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future years. In its January 1996 report, the board advised the Legislature that it was still developing a long-term funding solution for the WQM program.

**Impact of Reductions.** According to the board, it is not certain what particular activities in the WQM program will be reduced in 1996-97. However, the board indicates that it will likely delay its review and updates of statewide and basin water quality control plans that are required under both federal and state clean water laws. However, if the plans are not updated to include statewide standards for permit issuance, limits on waste discharge would have to be developed on a case-by-case basis. This could result in a more time-consuming permit process. In addition, the lack of compliance with federal clean water laws could result in the United States Environmental Protection Agency setting water quality standards in the state, which, according to the board, could be more stringent and costly for businesses in the state.

In order that the Legislature may be advised of the board's priorities for expenditures for the WQM program at the lower funding level proposed for 1996-97, and the impact of the reduced funding on the board's other programs, including the issues noted above, we recommend that the board report on these matters at budget hearings.

### Long-Term Funding Concerns Facing Board

***With over 60 different fund sources, the board's funding has been unstable and lacks the flexibility needed to address changing priorities. We recommend that the board report at budget hearings on its draft proposal to provide a stable funding mechanism for the Water Quality Management program and other board programs.***

The funding problems in the WQM program discussed above reflect broader long-term funding issues facing the board. In recent years, funding for the SWRCB's operations has shifted from the General Fund to a mixture of fees, special funds, and federal funds. In 1986, 53 percent of its budget was from the General Fund; today less than 10 percent of its budget is funded by the General Fund. In addition, bond funds that supported many of the board's activities—such as the WQM program—in the 1970s and 1980s are either close to or completely depleted. Today, over 60 different fund sources support the SWRCB, with special funds being the primary support.

***Problems With Current Funding Mechanism.*** Several problems have been identified with the current funding mechanisms. First, the current-funding mix with many separate special funds is less stable and predictable and provides less flexibility in decision-making. This is because

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(1) fee revenues for special funds tend to vary from year to year and (2) special and federal funds generally prescribe the specific purposes for which they must be used. Therefore, the current funding mix restricts the board's flexibility to redirect resources to a high priority program such as the WQM program.

Second, the current permit fee structure allows the SWRCB and the regional boards to recover from fees only 30 percent to 40 percent of their administrative costs in connection with individual permittees. Current law sets a maximum annual cap of \$10,000 on fees for holders of waste discharge permits (deposited in the WDPF). Actual fees assessed range from \$200 to \$10,000, with the level of assessment based on the relative threat to water quality. (Only 5 percent of fee payers pay the \$10,000 fee; the majority pay a fee of \$2,000 to \$4,000.) Some fee payers have resisted fee increases, in part because of recessionary times, but also because of their perception that other parties contributing to water pollution are not paying their "fair share" of fees. In particular, "nonpoint source" polluters, such as farmers, generally have not been subject to permitting and fee regulation.

**Board Is Addressing Funding Concerns.** As discussed in the *Analysis of the 1995-96 Budget Bill* (see pages B-77 through B-80), the board has taken a number of actions to make its regulatory programs operate more efficiently. For example, the board has increased the use of "general" permits which can be adopted for use by several dischargers, where there is similarity in the nature of the discharge or compliance requirements. While the board has made progress in achieving administrative efficiencies, the associated savings do not eliminate the need for the board to develop a long-term, stable funding mechanism for its programs.

The board has advised the Legislature that it is currently developing a draft funding proposal in time for discussion at budget hearings. We recommend that the board report at budget hearings on its proposal to provide a long-term, stable funding mechanism for the WQM and other board programs.

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## DEPARTMENT OF TOXIC SUBSTANCES CONTROL (3960)

The Department of Toxic Substances Control (DTSC) regulates hazardous waste management, cleans up or oversees the cleanup of contaminated hazardous waste sites, and promotes the reduction of hazardous waste generation. The department is primarily funded by fees on persons that generate, transport, store, treat, or dispose of hazardous wastes.

The budget requests \$151.3 million from various funds for support of the DTSC in 1996-97. This is an increase of \$32.4 million, or 27 percent, above estimated current-year expenditures. Almost all of this increase is for \$30.3 million from the General Fund for cleanup activities at the Stringfellow Federal Superfund Site (Stringfellow) and the Casmalia Resources Hazardous Waste Management Facility (Casmalia). In addition, the budget requests a \$1.6 million General Fund increase to clean up illegal drug labs closed by the Department of Justice.

Other major budget proposals mainly relate to a projected \$5.4 million decrease in revenues in the Hazardous Waste Control Account (HWCA), the department's primary source of support. Specifically, the budget proposes to reduce \$1.6 million of the HWCA support for various programs throughout the department and replace \$1.7 million of the current HWCA funding for the Department of Health Services with General Fund support.

The budget also proposes a \$2.2 million reduction in the Railroad Accident Prevention and Immediate Deployment (RAPID) program, due to the expiration of the fee authority for this program. (We discuss this issue further in the Crosscutting Issues section of this chapter.)

### **State Liable as Responsible Party For Major Cleanup Costs**

*A recent court decision found the state liable for all of the cleanup costs at the Stringfellow Federal Superfund Site. These costs could reach hundreds of millions of dollars over many years. The state is also liable for part of the cleanup of the Casmalia Hazardous Waste Management Facility.*

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The budget requests \$30.3 million from the General Fund for cleanup costs in 1996-97 at two hazardous waste sites, Stringfellow and Casmalia. Under federal law, the state is considered to be a "responsible party" that contributed to the contamination at these sites, making the state liable for potentially all of the past and future cleanup costs at these sites.

**Stringfellow Represents Multiyear Liability for State.** Stringfellow operated as a hazardous waste disposal facility in Riverside County from the 1950s to 1972, having received state permits for the facility's location. However, the physical environment around the site was such that a substantial amount of contamination migrated from the site to neighboring communities. Around 1983, Stringfellow was placed on the federal Superfund list, a list of high-risk contaminated sites to be cleaned up by, or under the oversight of, the United States Environmental Protection Agency (US-EPA) with state participation. Since that time, the state has spent about \$25 million at Stringfellow for investigations and cleanup activities. The US-EPA and other responsible parties have spent about \$155 million.

In January 1995, a federal court found the state to be liable for all past and future cleanup and site operation costs at Stringfellow. This means that the state is liable for the \$155 million of past costs and for future costs which, according to the department, could be in the hundreds of millions of dollars.

The budget requests \$12 million from the General Fund to perform various activities at Stringfellow in 1996-97, including the operation of a pretreatment plant, site maintenance, monitoring, and stabilization work to prevent against future migration of contamination to nearby communities. Expenditures in 1997-98 and 1998-99 are also projected to be \$12 million per year. According to the department, these expenditures will lower the long-run maintenance costs at the site and prevent future damage claims from residents of neighboring communities and litigation with the US-EPA and other responsible parties.

While the state is appealing the court decision, it is unlikely that a decision will be rendered before 1998-99. According to the Attorney General's Office, it is unlikely that the state would be absolved of all liability at Stringfellow. At best, the liability would be reduced. Under such circumstances, the state may be able to recover some of its expenditures. Regardless of the finding on the liability issue, the state remains responsible under federal law for oversight activities at Stringfellow, but these costs could be recovered from the responsible parties.

**Budget Request Will Settle Casmalia Liability.** Casmalia operated as a hazardous waste treatment, storage, and disposal facility in Santa

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Barbara County until 1989. The US-EPA has taken the lead to cleanup this site, and has identified parties, including a number of state agencies, that contributed to the contamination by sending large amounts of waste to Casmalia. The US-EPA is negotiating with these parties to settle their liability for cleanup costs based on the amount of waste each party contributed.

The budget requests \$18.3 million from the General Fund in order to settle the state's liability for costs at Casmalia. (In addition, the budget requests \$2.5 million from the State Highway Account for the Department of Transportation's "share" of the overall state liability.) The amount is based on the state having contributed 5 percent of the waste at Casmalia. If the US-EPA accepts this "cash out" settlement, the state would be absolved of any further liability. However, the department may still be responsible for certain regulatory oversight activities at the site, at an unknown cost.

According to the department, if the state does not enter into a settlement with the US-EPA, the state would become subject to several lawsuits from other responsible parties (over 20,000 hazardous waste generators contributed to the waste at Casmalia) and the US-EPA. In addition, the US-EPA could transfer the regulatory lead for Casmalia back to the state, at a substantial future cost to the state.

***Are There Other Stringfellows?*** The department indicates that it is not aware of any contaminated sites other than Stringfellow or Casmalia that could result in the state being found liable as a "responsible party" for cleanup costs.

### **Budget Focuses Direct Site Cleanup on Pilot Program**

***We recommend that the request for an additional \$4.1 million for "orphan share" cleanup costs for a pilot cleanup program be denied because there is no known estimate of the state's liability for these costs. We recommend approval of the requested reappropriation of \$4.1 million from the current year for orphan share cleanup costs. We further recommend that the department report at budget hearings on the relative effectiveness of the pilot site cleanup program and the level of participation in the pilot program. (Reduce Item 3960-001-0456 by \$4,098,000.)***

***Background.*** The department is responsible for overseeing the cleanup of contaminated hazardous waste sites which are carried out and paid for by "responsible parties." In addition, it carries out and pays for some of the cleanup of "orphan share" sites where responsible parties are unable or unwilling to provide a timely cleanup, or cannot

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be found. (These sites are in addition to those cases, discussed above, where the state itself is a responsible party and is therefore liable for cleanup costs.)

The state is currently involved in direct cleanup of about 27 orphan share sites in what is known as the "State Superfund" Program. The selection of these sites is based on the level of threat to environmental protection if cleanup did not proceed in a timely manner. In addition, there are 14 "backlog" sites where no cleanup activity has taken place due to a lack of funding. The department projects total state costs to clean up and maintain all of these sites to be more than \$200 million, of which about \$20 million has been spent to date. In recent years, funding for direct site cleanup has come from bond funds (which are almost depleted) and from transfers of revenues from the HWCA to the Site Remediation Account. In 1996-97, the budget requests \$1.6 million to pay for cleanup of the orphan share sites in the State Superfund Program.

***Pilot Program to Expedite Site Cleanup.*** Chapter 435, Statutes of 1994 (SB 923, Calderon) established a pilot program to expedite the voluntary cleanup of up to 30 hazardous waste sites. The pilot allows for expedited cleanup by providing for arbitrators to decide a number of issues, including the extent of cleanup required and the degree of liability for the cleanup by the various responsible parties.

Costs for the pilot program are to be recovered from the responsible parties liable for the cleanup. Chapter 435 also allows up to ten sites in the program to include an orphan share. The department will pay for the orphan share's cleanup costs only to the extent funds are made available.

***No Orphan Share Expenditures in Pilot Program in 1995-96.*** For the current year, up to \$4.1 million in fine and penalty revenues in the HWCA is provided to pay the state's liability for cleanup costs at orphan share sites chosen for the pilot program. This amount was freed up by reductions in other programs in the department.

As of January 1996, four sites—only one of which potentially has an orphan share—have been designated to participate in the pilot program. The department now expects a total of six sites to join the pilot program in the current year, with six to eight being added in 1996-97. Only some of these sites are likely to have an orphan share. The department also expects that it will not expend any money for orphan share cleanup costs before 1996-97.

***Budget Requests \$8.2 Million for Pilot Program in 1996-97.*** The budget requests \$8.2 million for orphan share cleanup costs related to

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the pilot program for expediting site cleanup in 1996-97. This amount includes \$4.1 million to be reappropriated from the current year and an additional \$4.1 million in 1996-97 fine and penalty revenues in the HWCA. This amount represents the bulk of the total request for direct cleanup of sites where the state is not a responsible party.

**Budget Request Not Justified Based on Known State Liability.** We believe that funding the pilot program has merit and is consistent with legislative intent. However, the department has not provided information which justifies the need for \$8.2 million for the pilot program in 1996-97. Specifically, the department does not know the amount of the state's liability for orphan share cleanup costs at the pilot sites. This amount will not be known until the number of sites in the program that have orphan shares is determined, sites are investigated, and liability among responsible parties at these sites is allocated. The department cannot estimate when that process will be complete. Thus, there is no assurance that there will be any allocation of liability to the state for orphan share cleanup costs in either the current or budget year.

Lacking this justification, we recommend that funding for the pilot program not be augmented in 1996-97. Accordingly, we recommend the request for \$4.1 million from the Expedited Site Remediation Trust Fund for the pilot program be denied. To provide continued funding for the program, we concur with the request to reappropriate \$4.1 million from the current year.

We also recommend that the department report at budget hearings on the effectiveness of expenditures in the pilot program, relative to other direct site cleanup expenditures in the State Superfund Program. This will enable the Legislature to assess the extent to which redirection of resources to the pilot program is consistent with legislative goals and priorities. We further recommend that the department provide, at budget hearings, any further details it may have regarding interest and participation in the pilot program and the state's potential liability for orphan share cleanup costs at sites in the program.

### **Legislatively Required Reports Not Submitted**

***The department has not submitted information required by the Legislature regarding (1) three-year revenue projections and expenditure priorities and (2) the hazardous waste manifest system.***

***Reports on Revenue Projections and Expenditure Priorities Not Submitted.*** Because of concern regarding the future condition of the HWCA, the Legislature adopted supplemental report language in both 1994-95 and 1995-96 requiring the department to submit to the Legisla-

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ture, by January 1, 1995, and January 1, 1996, respectively, reports on three-year projections of revenues to the HWCA (and related accounts) using a number of revenue scenarios. In addition, the department was required to set priorities for three fiscal years, considering the overall impact on environmental protection.

At the time this *Analysis* was prepared, the department had not submitted either required report to the Legislature. Consequently, this affects the ability of the Legislature to evaluate the department's plan to reduce the HWCA program expenditures in the budget year.

***Report on Hazardous Waste Manifest System Not Submitted.*** The Legislature also directed the department to submit, by January 1, 1996, a report on the department's hazardous waste manifest system, including information on the department's efforts to upgrade the system in order to provide a complete and accurate tracking of hazardous waste generated in the state. At the time this *Analysis* was prepared, the department had not submitted the required report to the Legislature.

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## OFFICE OF ENVIRONMENTAL HEALTH HAZARD ASSESSMENT (3980)

The Office of Environmental Health Hazard Assessment (OEHHA) identifies and quantifies the health risks of chemicals in the environment. The OEHHA provides these assessments, with its recommendations for pollutant standards and health and safety regulations, to the boards and departments in the California Environmental Protection Agency and to other state and local agencies. The OEHHA develops policies and guidelines for conducting risk assessments, and provides scientific and medical support to, and public health oversight of, the environmental regulatory agencies.

The budget requests \$11.8 million for support of the OEHHA in 1996-97. This is a decrease of \$1.6 million, or 12 percent, from estimated current-year expenditures. Major budget proposals include a \$1.1 million reduction in the Air Toxics “Hot Spots” Program (please see the Crosscutting Issues section of this chapter for a discussion of this issue) and a \$717,000 increase due to additional workload in the environmental assessor registration program.

### Major Expansion in Environmental Assessor Program

***We recommend that seven positions requested for the implementation of the environmental assessor registration program—as modified by Ch 820/95 (AB 1876, Richter)—be two-year limited-term positions because the workload of the program is uncertain. We further recommend that the Department of Toxic Substances Control report, at budget hearings, on the impact of Chapter 820 on its workload in 1996-97 and future years.***

The Environmental Quality Assessment Act of 1986 established a voluntary registration program in the OEHHA for environmental assessors. Environmental assessors are independent parties who review a business' operations to ensure compliance with environmental laws relating to hazardous substances management, and make recommendations for cost-effective process improvements. The state provides an annual list of registered assessors to businesses seeking this technical assistance. The OEHHA reviews applications for registration and re-

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news these registrations every five years. The OEHHA's costs are recovered from application and registration fees which are capped in statute.

Since 1987, over 5,100 assessors have been registered, with annual growth in recent years of about 500 assessors.

**Statute Adds New Category of Assessor.** Chapter 820 changes the environmental assessor program. Among other changes, Chapter 820 creates a new category of "class II" environmental assessors who will be authorized to act as private site managers at the cleanup of lower-risk contaminated hazardous waste sites.

Chapter 820 requires the OEHHA to establish registration criteria for the class II assessors, and to work with the Department of Toxic Substances Control (DTSC) to develop performance standards for them. As with class I assessors (the new name for the former registered environmental assessor), the OEHHA will process applications for class II registration and renew registrations every five years. Costs for the program will continue to be recovered from application and registration fees that are capped in statute.

**Budget Proposes Major Expansion in Assessor Program.** In the current year, the environmental assessor program has four positions and estimated expenditures of \$386,000 (prior to implementing requirements of Chapter 820). The budget requests an increase of \$717,000 and ten positions for this program in 1996-97. Of these ten positions, seven positions are requested due to increased workload to implement Chapter 820, and three positions are requested to reduce increasing backlogs in the initial registration and renewal process. Our review finds that the request for three positions for reduction of workload backlogs is justified.

However, the actual amount of additional workload in 1996-97 and future years as a result of Chapter 820 is highly uncertain at this time given a lack of experience with demand for both private site management and class II assessor registrations. Based on limited experience of a similar program in Massachusetts, the OEHHA projects that there may be as many as 1,400 applications for class II registration in the modified program's first full year. However, no information is available to project ongoing demand for class II registration.

Given the uncertainty about ongoing workload, we recommend that the seven additional positions requested to implement Chapter 820 be made two-year limited term. After two years of experience with the program, the Legislature will be in a better position to assess the appropriate staffing levels for this program.

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***What Is the Impact on the DTSC's Workload?*** Chapter 820 will affect the workload of the DTSC. For instance, workload should be reduced to the extent private site managers registered as class II assessors, rather than the DTSC, oversee cleanup activities at lower-risk hazardous waste sites. On the other hand, the department will have additional workload related to audits of sites cleaned up with a private site manager. Additionally, to the extent Chapter 820 encourages more voluntary cleanups because of the authorized use of private site managers, the DTSC would have an increase in cleanup activities to approve. The budget proposes no adjustments in support for the DTSC as a result of Chapter 820. In order that the Legislature is advised of the impact of Chapter 820 on the department's workload, we recommend that the DTSC report at budget hearings on this matter, including the timing of, and amount of, any expected adjustments to its budget.

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# LIST OF FINDINGS AND RECOMMENDATIONS

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## Crosscutting Issues

### *Plans Needed for Conservation of Land Resources*

1. **Long-Term Plans Needed for Land Resources Conservation and Habitat Acquisition.** Recommend supplemental report language directing the Resources Agency to (a) develop a long-term plan for the conservation and management of the state's land resources, and (b) undertake an assessment of the state's habitat and open space acquisition and development needs, assess the relative priority of those needs, and develop a long-term financing plan for meeting them. B-13

### *Fund Conditions For Resources Programs*

2. **Little Money Available in Special Funds and Park Bond Funds.** If the Legislature approves the Governor's spending proposals, there will be little money available in (a) various special funds for legislative priorities and (b) park-related bond funds to start new park projects. B-18
  3. **Bond Funds for Water Supply and Wastewater Treatment Programs.** There will be sufficient amounts to continue funding local water supply and treatment programs in 1996-97 at the levels proposed in the budget. However, there is little money available for new projects not yet in the "pipeline." B-22
  4. **New Bonds Proposed for Water Supply and Wastewater Treatment, but Not Local Flood Control.** The administration proposes new bonds totaling \$540 million, to be placed on the November 1996 ballot, for Bay-Delta restoration and facilities, and wastewater treatment and reclamation. However, no B-24
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funding is proposed to address the state's unmet share of costs for local flood control, which now totals about \$140 million.

*Regulatory Cost-Cutting Proposals*

5. **Budget Proposes “Regulatory Cost-Cutting” Across California Environmental Protection Agency.** B-26  
Recommend that the Air Resources Board, the Department of Toxic Substances Control, and the Office of Environmental Health Hazard Assessment report at budget hearings on the impact of reductions in the Air Toxic “Hot Spots” Program and the Railroad Accident Prevention and Immediate Deployment Program.

*Unified Hazardous Materials Program*

6. **Budget Does Not Reflect Savings From Program To Consolidate Various Hazardous Materials Programs.** B-31  
Recommend the Secretary for Environmental Protection and the Department of Toxic Substances Control report at budget hearings on program's status. Further recommend that three positions requested for State Fire Marshal be limited term.

**Secretary for Resources**

7. **State Water Project Funds Should Pay for Study of Project Financing and Operation Options.** B-36  
Recommend that State Water Project (SWP) funds, not Environmental License Plate Fund, pay for a study of alternative options for financing and operating the SWP.
8. **Resources Databases Should Be Accessible to State and Local Agencies and the Public.** B-37  
Recommend the adoption of supplemental report language requiring departments and agencies under the Resources Agency to develop schedules for making resources databases
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accessible through the California Environmental Resources Evaluation System, and report this information to the Legislature.

### Secretary for Environmental Protection

9. **Need Better Data to Evaluate Permit Assistance Centers.** Recommend supplemental report language requiring development of performance measures. Recommend that the Secretary provide workload information at budget hearings. Further recommend supplemental report language requiring performance measures as well as workload justification for ongoing funding for centers. B-39

### Department of Conservation

10. **Beverage Container Recycling Program Has Sizable Reserve.** The Beverage Container Recycling Program had a reserve of approximately \$100 million by the end of 1994-95. B-43
11. **New Legislation Will Modify the Beverage Container Recycling Program.** Recent legislation will reduce the reserve of the California Beverage Container Recycling Fund over future years and limit funds available to the department for program administration. B-44
12. **Soil Conservation Fund Should Pay for Expansion in Agricultural Land Conservation Programs.** Recommend a shift of \$1,061,000 requested from the Environmental License Plate Fund to the Soil Conservation Fund (SCF) for programs related to agricultural land conservation because it is a more appropriate fund source. Further recommend that the Legislature (a) adopt Budget Bill language and (b) enact legislation to specify that the SCF is available for these programs. B-47
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### Department of Forestry and Fire Protection

13. **Expansion of Pre-Fire Management Initiative Is Premature. (Reduce Item 3540-001-0001 by \$800,000).** Recommend that the Legislature deny \$800,000 and 9 positions requested to expand the department's pre-fire management initiative, because the department has not yet completed implementation of the initiative in three test ranger units, or evaluated the results of the initiative in those test units. B-51
14. **Plan To Reduce Telecommunications Expenditures Not Yet Finalized.** Recommend that the department report at budget hearings on the status of its plan to reduce its expenditures on telecommunications, and the impact of these reductions on the department's fire control program. B-54

### State Lands Commission

15. **School Land Bank Fund Has Accumulated Significant Reserve.** Recommend \$15.6 million in reserve in the School Land Bank Fund (SLBF) be transferred to the General Fund. Further recommend that the State Lands Commission report at budget hearings on its long-term plan for using SLBF revenues under current law. B-56

### Department of Fish and Game

16. **Budget Request Will Be Amended.** Withhold recommendation on \$74.3 million from the Fish and Game Preservation Fund (Item 3600-001-0200) because the department indicates that it will propose a significant amendment to the budget. B-59
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| 17. <b>Proposed Changes for Natural Community Conservation Planning Program Need Legislative Policy Review. Reduce Item 3600-101-0200 by \$600,000 and Reduce Item 3640-301-0262 by \$4.4 million.</b> Recommend reductions because changes in the scope and purpose of the Natural Community Conservation Plan pilot program require policy review by the Legislature. | B-60             |
| 18. <b>Funding for Natural Community Conservation Planning Program Inconsistent With Statute.</b> Recommend that the department report at budget hearings on the prospects of being reimbursed for its costs under the program.   | B-62             |
| 19. <b>Settlement Funds Will Pay for Continuing Cantara Spill Effort.</b> The department's work related to the Cantara Spill, including restoration project implementation and monitoring, will continue until 1999-2000 using settlement funds received from the Southern Pacific Transportation Company and other litigants.  | B-63             |

**Department of Parks and Recreation**

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| 20. <b>Additional General Fund Proposed For State Parks.</b> The budget proposes to replace special fund support of the department with additional General Fund and increased revenues.   | B-66 |
| 21. <b>Elements of Funding Stabilization Plan Still Need Definition.</b> Recommend that the department report at budget hearings on its proposal to increase revenues, reduce operations, and achieve savings in 1996-97, and its expenditure priorities in the event that revenues fail to meet projections. | B-68 |
| 22. <b>Funding Plan Should Reflect Legislative Priorities.</b> Recommend that \$2.8 million requested for department support be from the Harbors and Watercraft Revolving   | B-70 |

Fund instead of from the General Fund. Further recommend that the Legislature convene a task force to assess long-term demands on the state park system and the appropriate mix of funding for support of the system.

### Santa Monica Mountains Conservancy

23. **Proposed General Fund Support Is Inconsistent With Legislative Direction. Eliminate Item 3810-001-0001 and \$96,000.** Recommend reduction because request is not consistent with legislative direction that no General Fund money be used to support the conservancy. Further recommend that the conservancy report at budget hearings on its efforts over the last three years to reduce its reliance on General Fund support. B-73

### Department of Water Resources

24. **California Water Fund Increasingly Used For Administration Rather Than Statutory Purposes.** The California Water Fund (CWF) has provided an increasing share of the department's support funding in recent years, which has reduced the availability of the fund for statutory purposes. B-75
25. **Use of Harbors and Watercraft Funds Inconsistent With Statute. Eliminate Item 3860-101-0516 (\$2.8 million), Increase Item 3860-005-0144 by \$2.8 million, Increase Item 3860-101-0176 by \$2.8 million, Reduce Item 3860-001-0144 by \$2.8 million, and Increase Item 3860-001-0001 by \$2.8 million.** Recommend that \$2.8 million requested from the Harbors and Watercraft Revolving Fund for local subventions for Delta flood protection and control be funded out of the CWF. Further recommend that \$2.8 million requested for department support from the CWF be replaced with General Fund. B-77
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26. **San Joaquin Drainage Relief Program Not Yet Self-Sufficient.** Recommend that the department report at budget hearings on its plan to acquire irrigated land under the San Joaquin Drainage Relief Program, the total estimated costs of land acquisition, and when the program will become self-supporting. B-79

**California Integrated Waste Management Board**

27. **Tire Recycling Grant Program Has Mixed Success. Reduce Item 3910-001-0226 by \$1.4 million.** Recommend disapproval of \$1.4 million requested for additional grants and contracts in tire recycling program due to lack of clear reasons for need and mixed success of previous grants. Further recommend supplemental report language requiring targeting of funds to most effective type of grant activities. B-80

**Department of Pesticide Regulation**

28. **Major Funding Shortfall After 1997-98.** Recommend department report, prior to budget hearings, on program and funding priorities given scheduled reduction in the mill tax in 1997. B-83

**State Water Resources Control Board**

29. **Future of Underground Storage Tank Program Uncertain.** Results of board review of standards for cleanup of leaking underground tanks could result in major shift in program requirements. Recommend that board report at budget hearings on status of review and on potential impact of shift in policy. B-85
30. **Lack of Funding for Water Quality Management Program.** Budget proposes \$3.8 million reduction in Water B-87
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Quality Management Program due to lack of funding. Recommend that board report at budget hearings on its expenditure priorities at the reduced funding level.

31. **Long-Term Funding Concerns Facing Board.** Recommend that board report at budget hearings on its draft proposal to provide a long-term, stable funding mechanism for board's programs. B-88

### Department of Toxic Substances Control

32. **State Liable for Major Cleanup Costs.** Budget requests \$30.3 million General Fund for cleanup costs at two hazardous waste sites where state found liable as responsible party. State's liability could reach hundreds of millions of dollars at the Stringfellow site. B-90

33. **Budget Focuses Direct Site Cleanup on Pilot Program. Reduce Item 3960-001-0456 by \$4.1 Million.** Recommend reduction because the state's liability for cleanup costs is not known. Further recommend department report at budget hearings on relative effectiveness of pilot program expenditures and provide details of level of participation in pilot program. B-92

34. **Department Fails to Comply With Legislative Directives.** The department has not submitted information required by the Legislature on (1) three-year revenue projections and expenditure priorities for the Hazardous Waste Control Account, and (2) the hazardous waste manifest system. B-94

### Office of Environmental Health Hazard Assessment

35. **Major Expansion in Environmental Assessor Program.** Recommend seven positions requested for expanded program be made two-year limited term until work- B-96

load can be better determined. Further recommend that the Department of Toxic Substances Control report at budget hearings on the impact of the expanded program on its workload.