

**Resources Agency
SEA GRANT PROGRAM**

Item 3110-001 from the General

Fund	Budget p. R 1
Requested 1985-86	\$500,000
Estimated 1984-85.....	500,000
Actual 1983-84	350,000
Requested increase: None	
Total recommended reduction	None

GENERAL PROGRAM STATEMENT

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

Chapter 1311, Statutes of 1983, allocates \$500,000 annually through 1988-89 from state tidelands oil revenues to the Resources Agency for distribution to higher education institutions. Most of these funds are used to provide a portion of the one-third match required by the federal government for sea grant projects. A portion of these funds also provides administrative staff for Sea Grant programs at the University of California and the University of Southern California.

The Resources Secretary must approve all sea grant projects financed from this appropriation. The projects are selected by an advisory panel that represents state departments, higher education, private industry, and the Legislature. The projects selected for state support must offer a clearly defined benefit to the people of California. Participants in the program include the University of California, the California State University, Stanford University, the University of Southern California, and the California Institute of Technology.

ANALYSIS AND RECOMMENDATIONS

We recommend approval.

The budget proposes a General Fund appropriation of \$500,000 to continue support for the Sea Grant program in 1985-86. The proposed \$500,000 appropriation is consistent with the statutory allocation approved by the Legislature in Ch 1311/83.

Resources Agency
TAHOE REGIONAL PLANNING AGENCY

Item 3110-101 from the General
Fund

Budget p. R 1

Requested 1985-86	\$674,000
Estimated 1984-85.....	428,000
Actual 1983-84	481,000
Requested increase \$246,000 (+57.5 percent)	
Total recommended reduction	None
Recommendation pending	674,000

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

Analysis
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1. TRPA Future Clouded. Withhold recommendation on the entire \$674,000 requested as the state's share of TRPA support, pending clarification on how regional plan litigation will affect the agency's workload and program activities.

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GENERAL PROGRAM STATEMENT

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

Amendments to strengthen the compact were approved by the U.S. Congress and signed by the President on December 9, 1980. California's approval of the amendments was provided through Ch 872/80. Among other things, the revised compact required TRPA to adopt a new regional plan and implementing ordinances by June 1983. This plan was adopted by the TRPA governing board in April 1984.

OVERVIEW OF THE BUDGET REQUEST

The budget proposes an appropriation of \$674,000 from the General Fund as California's share of support for the TRPA in 1985-86. This is an increase of \$246,000, or 57.5 percent above the \$428,000 provided in the current year from the General Fund (\$361,000) and the Environmental License Plate Fund (\$67,000).

The proposed increase of \$246,000 in California's support for TRPA reflects the following changes:

- A shift in the source of funding for project and permit review activities from filing fees to appropriated state funds (\$100,000).
- An increase for additional contract legal services and staff attorney costs (\$98,000).
- The addition of four new positions for planning, water quality engineering, and enforcement; salary increases for existing staff; governing board travel costs and additional operating expenses and equipment (\$74,000).
- An increase in contract funds for development of (1) a scenic re-

TAHOE REGIONAL PLANNING AGENCY—Continued

sources management study and (2) a public awareness and environmental education program (\$41,000).

- Deletion of one-time funding for the development of instream flow standards in 1984-85 (-\$67,000).

Total Expenditures. In addition to California's appropriation, the TRPA receives funds from Nevada and local governments. Based on budget information provided by TRPA staff, total expenditures from all sources planned by the agency in 1985-86 are \$2,079,000, an increase of \$241,000, or 13.1 percent above current-year estimated expenditures of \$1,838,000.

ANALYSIS AND RECOMMENDATIONS

Pending litigation makes TRPA's workload and program for 1985-86 impossible to determine at the present time.

Regional Plan Litigation

At the time this analysis was prepared (early January), the TRPA regional plan which was adopted in April 1984 was being challenged by several lawsuits. One of these suits was filed by the California Attorney General and questions the adequacy of the plan's provisions. This suit resulted in a preliminary injunction being issued in June 1984.

Building Moratorium. Although repairs to public facilities, erosion control and public safety projects are exempt from the injunction, it has essentially halted the issuance of building permits by the TRPA. Representatives of the Attorney General and TRPA have been meeting since the summer of 1984 in an attempt to reach a negotiated settlement to the lawsuit, so that the injunction can be lifted or modified. No agreement, however, had been reached at the time this analysis was prepared (mid-January).

Programmatic and Fiscal Impact of Litigation. In addition to affecting Tahoe Basin building activities, the regional plan lawsuits also have the following significant programmatic and fiscal impacts on TRPA's operations.

- The preliminary injunction prohibits the TRPA from accepting or considering most permit applications for construction projects. This results in (1) a significant decrease in project review workload for TRPA staff and (2) an estimated \$135,000 decrease in permit filing fees during the current fiscal year. In order to replace these fees, the TRPA is requesting a \$150,000 augmentation in 1985-86 from California (\$100,000) and Nevada (\$50,000) to support project review staff activities.
- The regional plan lawsuits have significantly increased TRPA's legal expenses. During 1983-84, TRPA required a \$163,000 deficiency allocation from the Department of Finance to cover California's share of these legal expenses. An additional \$217,000 has been requested from California by TRPA in the current year for extraordinary litigation expenses. In recognition of continuing major legal costs next fiscal year, the budget request for TRPA includes an augmentation of \$98,000 for legal fees and a new staff attorney position.
- The uncertainty over the status of TRPA's regional plan raises serious questions concerning the agency's future planning activities. If the Attorney General's lawsuit remains unresolved and the injunction

continues in force, it may not be appropriate for TRPA to continue certain long-range planning activities which are intended to implement the plan's various detailed provisions, such as adoption of area planning statements, and land use ordinances.

TRPA's Future Is Clouded

We withhold recommendation on the entire \$674,000 requested for TRPA pending clarification of (1) the effects of any settlement to the pending litigation currently delaying implementation of the regional plan and (2) the continuing effect of the preliminary injunction on the agency's workload for project review and the direction of future long-range planning activities, if no settlement occurs.

We cannot advise the Legislature on the appropriateness of the \$674,000 requested for TRPA until the legal status of the agency's regional plan is resolved. As long as the status of this plan is in question and the existing court injunction banning further construction activities remains in effect, TRPA's workload and funding requirements cannot be determined.

Accordingly, we withhold recommendation on the requested \$674,000.

**Resources Agency
CALIFORNIA TAHOE CONSERVANCY**

Item 3125 from the Lake Tahoe
Acquisitions Fund and the
Environmental License Plate
Fund

Budget p. R 2

Requested 1985-86	\$1,205,000
Estimated 1984-85.....	520,000
Actual 1983-84	NA
Requested increase (excluding amount for salary increases) \$685,000 (+132 percent)	
Total recommended reduction	277,000

1985-86 FUNDING BY ITEM AND SOURCE

Item—Description	Fund	Amount
3125-001-720—Support	Lake Tahoe Acquisitions	\$828,000
3125-101-140—Erosion control grants	Environmental License Plate	377,000
Total		\$1,205,000

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

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1. **Attorney General Services. Increase Item 3125-001-720 by \$100,000.** Recommend augmentation to properly budget for legal services provided by the Attorney General. 387
2. **Erosion Control Grants. Reduce Item 3125-101-140 by \$377,000.** Recommend deletion of funds requested for local erosion control projects because funding is available for this purpose from the State Water Resources Control Board and U.S. Forest Service. 387

CALIFORNIA TAHOE CONSERVANCY—Continued**GENERAL PROGRAM STATEMENT**

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

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

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

The conservancy has an interim office in Sacramento but its permanent location probably will be in South Lake Tahoe. It has 11.9 authorized positions in the current year.

OVERVIEW OF THE BUDGET REQUEST

The budget proposes appropriations totaling \$1,205,000 from the Lake Tahoe Acquisitions (Bond) Fund (\$828,000) and the Environmental License Plate Fund (\$377,000). This is an increase of \$685,000, or 132 percent, from estimated current-year expenditures, which are financed from the General Fund and the Lake Tahoe Acquisitions Fund.

The increase of \$685,000 proposed for 1985-86 reflects the following:

- Full-year funding of staff salaries and operating expenses (\$240,000).
- Increased funding for operating expenses and purchase of equipment (\$113,000).
- Local assistance grants for Placer and El Dorado County to finance two erosion control projects in the Tahoe Basin (\$377,000).
- A decrease in expenditures for one-time costs financed in 1984-85 from the Lake Tahoe Acquisitions Fund. These expenditures were made to reimburse the General Fund for conservancy start-up expenses incurred by the Resources Agency during 1983-84 (-\$45,000).

ANALYSIS AND RECOMMENDATIONS

Beginning in 1985-86, the budget proposes to finance the conservancy's staff costs and operations entirely from the Lake Tahoe Acquisitions (Bond) Fund. During the current year, the conservancy's budget is financed with appropriations from the General Fund and the Lake Tahoe Acquisitions Fund. The change in funding will result in General Fund savings of \$460,000 during 1985-86.

Attorney General Services

We recommend an increase of \$100,000 in the appropriation for the conservancy to (1) properly budget for legal services provided by the Attorney General and (2) shift the source of support for these expenses from the General Fund to the Lake Tahoe Acquisitions Fund. (Increase Item 3125-001-720 by \$100,000.)

Under Item 0820, the budget proposes an increase of \$243,000 in General Fund support for the Department of Justice for legal services provided to the deactivated California Tahoe Regional Planning Agency (CTRPA) (\$143,000) and the California Tahoe Conservancy (\$100,000). During the current year, these costs are being financed with \$210,000 appropriated from the Environmental License Plate Fund to the Resources Secretary. The secretary (1) has been designated by statute as legal successor to CTRPA and (2) is providing interim staff support to the Tahoe Conservancy during the current year. The funds are being used to reimburse the Department of Justice for its costs incurred in providing legal services to the secretary on matters pertaining to the CTRPA and Tahoe Conservancy.

On page 70 of this analysis, we recommend that the General Fund appropriation to the Department of Justice be reduced by \$100,000 and that the department's schedule of reimbursements be increased by the same amount, in order to more properly budget for Tahoe Conservancy legal expenses. This is consistent with Section 11044 of the Government Code which requires that legal services for special-fund-supported state agencies be provided through reimbursements to the Department of Justice.

For the same reason, we recommend that the conservancy's appropriation be increased by \$100,000. Approval of these recommendations would (1) properly budget the cost of legal services provided by the Department of Justice and (2) reduce General Fund expenses.

Local Assistance—Soil Erosion Project Grants

We recommend a reduction of \$377,000 to delete funds requested for local erosion control projects because funding is available for this purpose from the State Water Resources Control Board (SWRCB) and U.S. Forest Service. (Reduce Item 3125-101-140 by \$377,000.)

The budget requests \$377,000 from the Environmental License Plate Fund (ELPF) for local assistance grants to Placer and El Dorado Counties for two soil erosion control projects in the Tahoe Basin. Of this amount, \$177,000 would be used by Placer County to address water quality problems associated with roadway and residential construction in the Skyland subdivision, along the west shore of Lake Tahoe. The proposed project includes construction of sedimentation basins, rock-lined ditches to channel storm run-off and snowmelt, stabilization of roadbanks and road cuts, and revegetation of denuded areas. The remaining \$200,000 would be used by El Dorado County to address water quality problems associated with eroding streambanks along a 1,000-foot section of the Upper Truckee River near the south shore of Lake Tahoe. The Upper Truckee project includes clearing log jams and stabilization of eroding streambanks through construction of riprapping.

We are advised that the two proposed projects are very similar in scope to other erosion control projects currently being funded by (1) the State Water Resources Control Board (SWRCB), through the State Assistance

CALIFORNIA TAHOE CONSERVANCY—Continued

Program (SAP) and federal Clean Lake Grants, and (2) the U.S. Forest Service, through funds available under the federal Burton-Santini Act (Public Law 96-586). Under the SAP, a total of \$10 million in state general obligation bonds has been authorized for erosion control projects at Tahoe. The total amount of federal funds available for local soil erosion projects is determined by the amount and value of property acquired by the Forest Service within each city or county at Lake Tahoe under the Burton-Santini land purchase program.

Alternative Funding Available. Budget information provided for the Tahoe Conservancy (1) makes no reference to federal grants available from the U.S. Forest Service and (2) indicates that all SWRCB grants funds for Lake Tahoe will be fully allocated by the end of the current fiscal year. We are advised, however, by staff from the U.S. Forest Service and the Lahontan Regional Water Quality Control Board that considerable funding for such projects currently is available, or will be available during 1985-86. The Lahontan board advises that \$3.7 million in SAP funds remains available from the original \$10 million authorized. Representatives of the U.S. Forest Service at Lake Tahoe indicate that they currently have a total of \$873,000 available for soil erosion grant projects in Placer and El Dorado Counties, which has yet to be allocated. The amount of potential funding available for these two counties next fiscal year will depend on how much property the U.S. Forest Service purchases during the current year under the Burton-Santini program.

Recommendation. The need for erosion control projects in the Lake Tahoe Basin to protect water quality has long been recognized and is well documented. Prior to the Legislature providing a new source of funding for local erosion control projects, however, the counties involved should first exhaust all other funds currently available for this purpose and the Legislature should be informed about the total magnitude of the potential erosion problems. Funding should not take place on an *ad hoc* basis. Accordingly, we recommend that Item 3125-101-140 be deleted, for a savings of \$377,000 to the Environmental License Plate Fund.

CALIFORNIA TAHOE CONSERVANCY—CAPITAL OUTLAY

Item 3125-301 from the Lake
Tahoe Acquisitions Fund

Budget p. R 4

Requested 1985-86	\$10,000,000
Recommended approval	0
Recommended reduction	10,000,000

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

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1. **Carry Over Funds. Delete Item 3125-301-720 for a savings of \$10 million.** Recommend deletion because (1) most of the \$20 million in capital outlay funds appropriated in the current year probably will not be spent in 1984-85 and therefore a reasonable amount will be available for acquisition projects during 1985-86 without additional appropriations and (2) the Tahoe Conservancy has not established priorities or criteria for land acquisitions.

OVERVIEW OF THE BUDGET REQUEST

The budget proposes an appropriation of \$10 million from the Lake Tahoe Acquisitions (Bond) Fund to the California Tahoe Conservancy for the purchase of undeveloped property at Lake Tahoe, pursuant to the 1982 Lake Tahoe Acquisitions Bond Act. The funds also would be available for both local assistance grants and direct land purchases by the Conservancy. The Conservancy estimates that approximately 600 lots can be acquired with these funds.

For purposes of scheduling the \$10 million capital outlay appropriation, the budget proposes that the funds be allocated as follows:

- \$7.5 million solely for acquisition of lands "threatened with development" that would adversely affect the Tahoe region's natural environment, with preference given to lands (1) within stream environment zones or (2) that are susceptible to erosion.
- \$2.5 million to augment the \$7.5 million shown above or for other types of acquisitions authorized in the 1982 Tahoe Bond Act, including acquisition of lands providing (1) lakeshore access to the public, (2) preservation of wildlife habitat, (3) public access to other public lands, or (4) a combination of these benefits.

The item also contains Budget Bill language specifying that acquisitions valued at less than \$250,000 would be exempt from Public Works Board review.

ANALYSIS AND RECOMMENDATIONS

Existing Appropriations Provide Adequate Funds for 1985-86

We recommend a reduction of \$10 million requested for capital outlay because the request is premature, given that (1) most of the \$20 million in capital outlay funds appropriated for this proposal in the current year probably will not be spent and will be available to finance acquisition projects during 1985-86 and (2) the Conservancy has not established priorities or criteria for land acquisition. We further recommend that the Conservancy report at budget hearings on its priorities and criteria for determining which lots and parcels should be purchased and how much to pay for them.

Our analysis indicates that the Conservancy is requesting more funds than it can effectively spend during the budget year, and that the \$10 million appropriation requested in the budget is premature. This conclusion is based on (1) the fact that the Conservancy has yet to commence any acquisitions in the current year or even establish guidelines and priorities for determining which properties should be purchased, (2) the large amount that will be available for capital outlay in 1985-86 even without these funds, and (3) the U.S. Forest Service's experience at Lake Tahoe in administering its own property acquisition program under the federal Burton-Santini Act.

The Conservancy Lacks Guidelines and Priorities for Land Acquisition. To date, the Conservancy's governing board has not adopted acquisition priorities or guidelines for determining which eligible properties will be purchased under the 1982 Tahoe Bond Act program. These guidelines and priorities must be developed before the acquisition program can get off the ground. Furthermore, we believe the Legislature should have the opportunity to review these priorities before providing funds beyond what is already available (see below).

CALIFORNIA TAHOE CONSERVANCY—CAPITAL OUTLAY—Continued

A Large Amount Will Be Available for Capital Outlay in 1985-86 Even Without These Funds. The budget estimates that only \$5 million of the \$20 million appropriated to the Tahoe Conservancy in the 1984 Budget Act for capital outlay will be spent during the current year. On this basis, the budget indicates that \$15 million will remain available for expenditure in 1985-86. At the time this analysis was prepared (mid-January), however, no money had been spent to acquire lots.

Because of delays in obtaining governing board appointments, hiring staff, locating office space, and activating Conservancy operations, we believe it is likely that less than \$5 million actually will be spent for land acquisition by June 30, 1985. Therefore, the \$10 million requested in the budget, if appropriated, would make available to the Conservancy, a total of between \$25 million and \$30 million in capital outlay funds during 1985-86. According to the Conservancy's estimates, \$30 million would fund the purchase of up to 1,800 lots and parcels.

Forest Service Experience. The U.S. Forest Service advises that since federal fiscal 1982, its Lake Tahoe Basin Management Unit staff have spent an average of \$10 million a year in acquiring properties. Since becoming established in 1982, the Forest Service advises that it has made offers on 5,908 acres of property at Lake Tahoe with a combined value of \$23.3 million (728 transactions as of mid-December 1984). Of this amount, it has (1) had offers accepted on 4,962 acres and 488 transactions, with a value of \$16.7 million, and (2) received donations of 269 acres worth \$817,000 in 94 transactions. Since federal fiscal 1982, the U.S. Congress has provided a total of \$26.7 million for the Burton-Santini program, which is administered by the Forest Service with a full-time staff of 5 professional and 2 clerical positions based at Tahoe.

Given this experience, we believe the Conservancy could not utilize effectively more than the \$15 million that will be carried over into 1985-86.

For these reasons, we recommend that Item 3125-301-720 be deleted, for a savings of \$10 million. We further recommend that the Conservancy report at budget hearings on the priorities and criteria it has established for determining which lots and parcels will be acquired with the \$20 million in capital outlay funds available in the current year and how it will value those lots.

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

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

Budget p. R 11

Requested 1985-86	\$250,000
Estimated 1984-85.....	34,000
Actual 1983-84	1,133,000
Requested increase \$216,000 (+635 percent)	
Total recommended reduction	None

GENERAL PROGRAM STATEMENT

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

The corporation makes loans that leverage state money. It does this by obtaining federal Small Business Administration (SBA) guarantees for up to 90 percent of each loan it makes, and then selling the guaranteed portion of the loan to investors. It uses the proceeds to make additional loans. As a result, the total amount of SAFEIDCO loans outstanding can grow to as much as 10 times the original amount of state funds provided to the corporation.

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

OVERVIEW OF THE BUDGET REQUEST

The budget proposes an appropriation of \$250,000 from the State Energy Loan Fund (SELF) to SAFEIDCO in 1985-86. This is the maximum amount of loan repayments the corporation expects to deposit in the SELF during 1984-85, less \$34,000 disbursed during 1984-85. (Repayments to the SELF in 1985-86 will not be made until June 30, 1986 and, therefore, will not be available until 1986-87.)

Section 32812 of the Financial Code specifies that the Controller shall transfer up to \$1,500,000 from the General Fund and \$1 million from the Energy Resources Programs Account (ERPA) to the SELF as a line of credit to meet loan requests made to the corporation. (The ERPA receives revenue from the state surcharge on electricity sales.) The Controller may not transfer any money from the ERPA to the SELF, however, until the

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

corporation has loaned at least \$5 million to eligible small businesses.

The Controller transferred the full \$1,500,000 authorized from the General Fund to the SELF in 1982. He also transferred the full \$1 million authorized from the ERPA to the SELF in June 1984 when the corporation reached the \$5 million loan threshold. As of December 1984, the corporation had loaned a total of \$6,191,000 to small businesses.

The 1985-86 budget request of \$250,000 is the expected balance of funds available in SELF from loan repayments in 1984-85. This \$250,000 will be used by SAFEBCO to make more loans to small businesses. Chapter 819, Statutes of 1980, allows the corporation to borrow any money from the SELF for a term of up to 20 years, at an annual percentage rate of 6 percent. Chapter 819 continuously appropriates the funds in the SELF, allowing it to operate as a revolving loan fund. As a result, interest and principal repayments that are deposited in the fund can be loaned again to the corporation. The SELF is used only for loans to SAFEBCO. Item 3300-001-021 is included in the 1985 Budget Bill because Section 13340 of the Government Code sunsets continuing appropriations, such as the one contained in Chapter 819 for the SELF, on July 1, 1985.

ANALYSIS AND RECOMMENDATIONS

We recommend approval.

Resources Agency

CALIFORNIA CONSERVATION CORPS

Items 3340 from the General Fund and General Fund, Energy Resources Programs Account

Budget p. R 12

Requested 1985-86	\$37,290,000
Estimated 1984-85.....	33,166,000
Actual 1983-84.....	28,504,000
Requested increase \$4,124,000 (+12.4 percent)	
Total recommended reduction	124,000
Recommendation pending	527,000

1985-86 FUNDING BY ITEM AND SOURCE

Item—Description	Fund	Amount
3340-001-002—Support	General	\$32,295,000
3340-001-465—Support	Energy Resources Programs Account, General	4,995,000
Total		\$37,290,000

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

Analysis page

1. Implementation of the neighborhood corps program. 396
Recommend adoption of supplemental report language re-

- quiring the CCC to report on the implementation of the neighborhood corps and educational programs authorized by Ch 1710/84.
2. Education expenditure plan. Withhold recommendation on \$527,000 requested for educational services for regular corpsmembers, pending receipt of a comprehensive plan and a statement of goals for these services. 397
 3. Staff reduction. Recommend identification of the savings that would result if supervision of some corpsmembers is taken over by the Department of Parks and Recreation, as the budget proposes. 398
 4. **Overtime. Reduce Item 3340-001-001 by \$124,000.** Recommend a reduction of \$124,000 to correct for double-budgeting of overtime. 399

GENERAL PROGRAM STATEMENT

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

The corps' headquarters is in Sacramento. It operates 18 residential base centers and 22 nonresidential satellites, as well as a corpsmember training academy at Fricot City in Calaveras County. A corpsmember's salary is based on the federal minimum wage, which is \$3.35 per hour (\$580 per month) in 1985. The budget for the current year provides funding for 1,947 corpsmembers plus 385.5 supervisory and administrative staff personnel-years.

OVERVIEW OF THE BUDGET REQUEST

The budget requests appropriations totaling \$37,290,000 from the General Fund and the Energy Resources Program Account in the General Fund for support of the California Conservation Corps (CCC) in 1985-86. This is an increase of \$4,124,000, or 12.4 percent, from estimated current-year expenditures. This increase will grow by the cost of any salary or staff benefit increases that may be approved by the Legislature for the budget year.

The budget does not include funds to cover the estimated cost to the General Fund of merit salary increases (\$143,000) for CCC employees or inflation adjustments to the CCC's operating expenses and equipment (\$339,000). Presumably, these costs will be financed by diverting funds budgeted for other purposes.

Total expenditures by the CCC are proposed at \$43,732,000 in 1985-86. This amount includes \$6,442,000 in expenditures financed from reimbursements, of which \$1,666,000 will be paid by state and other agencies for services provided by corpsmembers. Total expenditures proposed for 1985-86 are \$4,193,000, or 10.6 percent, above estimated total expenditures in the current year.

Table 1 summarizes the personnel-years and expenditures for the CCC during the period 1983-84 through 1985-86.

CALIFORNIA CONSERVATION CORPS—Continued

Table 1
California Conservation Corps
Budget Summary
1983-84 through 1985-86
(dollars in thousands)

Program	Administrative and Supervisory Staff (Personnel-Years)			Expenditures		
	Actual	Estimated	Proposed	Actual	Estimated	Proposed
	1983-84	1984-85	1985-86	1983-84	1984-85	1985-86
Training Academy	26.6	26.9	26.6	\$3,109	\$2,874	\$3,076
Base and Fire Centers	244.2	262.8	259.8	31,845	33,470	36,791
Energy Program	22.4	20.4	20.2	2,641	2,195	2,347
Community Corps (Ch 1710/84)	—	—	1.9	—	1,000	2,000
Administration	72.6	75.8	77	(3,050)	(3,519)	(3,875)
Unallocated reduction ^a	—	—	—	—	—	-482
Totals	365.8	385.9	385.5	\$37,595	\$39,539	\$43,732
<i>Sources of Funds</i>						
General Fund				\$15,852	\$28,457	\$32,295
Energy Resources Programs Account, General Fund				4,607	4,709	4,995
California Environmental License Plate Fund				7,547	—	—
Resources Account, Energy and Resources Fund				498	—	—
Reimbursements				9,091	6,373	6,442

^a Reflects elimination of funds for General Fund merit salary increases and inflation adjustments for operating expenses and equipment.

Table 2
California Conservation Corps
Proposed Budget Changes
1985-86
(dollars in thousands)

	General Fund	Other ^a	Totals
1984-85 Expenditures (Revised)	\$28,457	\$11,082	\$39,539
A. Workload and Price Adjustments			
1. Full-year cost of 1984-85 salary increases	56		56
2. Miscellaneous adjustments (including MSA's and inflation offsets)		338 ^b	338
B. Significant Program Changes			
1. Full-year funding of community conservation corps (Ch 1710/84)	1,200	—	1,200
2. Vehicle replacement	1,196	—	1,196
3. Increased costs pursuant to collective bargaining agreement	720	—	720
4. One-time special roof repairs	289	—	289
5. Corpsmember and staff training programs	170	—	170
6. Special corpsmember salary increases and benefit package	147	17 ^c	164
7. Administrative support (2 positions)	60	—	60
1985-86 Expenditures (Proposed)	\$32,295	\$11,437	\$43,732
Change from 1984-85:			
Amount	\$3,838	\$355	\$4,193
Percent	13.5	3.2	10.6

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

^b \$286,000 from ERPA and \$52,000 from reimbursements.

^c Reimbursements from special corpsmembers for health benefits.

Proposed Budget Changes

Table 2 shows the proposed budget changes, by funding source, for the CCC. The table indicates that support from the General Fund is proposed to increase by \$3,838,000, accounting for 92 percent of the total increase in expenditures from all sources (\$4,193,000).

ANALYSIS AND RECOMMENDATIONS

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

- **Replacement of Crew-Carrying Vehicles** (\$1,196,000). These funds would be used to replace 27 passenger vans with 27 new crew-carrying vehicles. The new vehicles will have increased passenger capacity and will be able to carry crews and their equipment more safely than the current vans.
- **One-time Special Repair Increase** (\$289,000). These one-time expenditures would be made to repair deteriorating roofs at two centers and the Academy.
- **Special Corpsmember Salary and Benefits Increase** (\$164,000). These funds would be used to increase salaries by 20 percent, from \$750 to \$900 per month, and to provide health benefits for 75 "special corpsmembers." Special corpsmembers are employed, without regard to age, to teach corpsmembers special skills and to perform nightwatch duties.
- **Administrative Support** (\$60,000). The budget requests two new positions to (1) handle an increase in personnel transactions and (2) provide a full-time training position.

Neighborhood Conservation Corps and Educational Programs

Chapter 1710, Statutes of 1984 (SB 2049), expanded the CCC's program responsibilities by requiring the corps to establish nonresidential programs in neighborhoods with high concentrations of ethnic minority youth and high levels of unemployment. In carrying out this new responsibility, the corps is required by Chapter 1710 to:

- Locate these special nonresidential programs in neighborhoods with high concentrations of ethnic minority youth and high levels of youth unemployment. (Under the corps' basic law, the location of CCC programs is not based on statutory criteria).
- Recruit high school dropouts for its new neighborhood program. (In its regular state program, the CCC is required to select young men and women without regard to their employment or educational background.)
- Operate the neighborhood programs with its own staff or contract with public or private nonprofit agencies for this purpose. (The CCC's traditional state programs are located in centers and nonresidential satellites that are operated by the CCC staff.)
- Give high priority to an educational component for the neighborhood programs that is equal in content to a high school curriculum and provides course credits leading to a high school diploma or its equivalent. The act also requires contract agencies to secure a commitment from local educational institutions for "appropriate educational services."

CALIFORNIA CONSERVATION CORPS—Continued

In addition, Chapter 1710 seeks to encourage the development of educational programs for the corpsmembers in the regular state CCC program. It does this by (1) encouraging the corps and the community colleges to cooperate in giving corpsmembers access to equal education opportunities and (2) authorizing the Director of the CCC to contract with institutions of higher education to provide educational or other services and for special admission and tuition credit programs for corpsmembers.

The Legislature appropriated \$3 million in Ch 1710/84 to fund these new programs in 1984-85. The Governor reduced this amount by \$1.8 million, leaving \$1.2 million for expenditure during the second half of 1984-85. Of this amount, the CCC plans to spend (1) \$1.0 million to support approximately 200 corpsmembers in the new neighborhood programs and (2) \$200,000 to expand educational services to regular corpsmembers.

The 1985-86 budget requests \$2.4 million from the General Fund to provide full-year funding for these new programs. The CCC plans to maintain the expenditure ratio established in 1984-85 by spending \$2.0 million for the neighborhood corps program and \$400,000 for educational services for regular state corpsmembers.

Neighborhood Corps and Educational Program

We recommend that the Legislature adopt supplemental report language directing the California Conservation Corps to report on its progress in establishing the neighborhood corps and educational programs authorized by Chapter 1710.

The implementation of Chapter 1710 represents a major expansion and redirection of the corps' programs. It also gave the CCC a great deal of discretion in implementing the new programs. In order to implement Ch 1710/84 successfully, the CCC will have to address the following issues:

Targeted program location and corpsmembers. The law does not define a "neighborhood" or the percentage that would constitute a high level of youth unemployment or a high concentration of ethnic minority youth. In January 1985, the CCC awarded most of the contracts to operate the neighborhood program. In the "neighborhoods" where these programs are to be operated, the ethnic minority concentration ranges from 32 percent to 97 percent, and the youth unemployment level ranges from 13.5 percent to 42.0 percent.

Furthermore, the law does not require that the corpsmember composition of a neighborhood program reflect the composition of the neighborhood. Consequently, it is unclear to what extent ethnic minorities, unemployed youth, or high school dropouts will participate in the program.

Operation by nonprofit agencies. In 1985-86, the CCC plans to use most of the \$2 million budgeted for neighborhood programs to contract with nonprofit or local agencies, rather than to support CCC-operated programs. The ability of these agencies to train corpsmembers and operate successful programs is yet to be demonstrated.

Neighborhood corpsmember education. The act does not define the "appropriate" educational services that nonprofit agencies are required to provide to neighborhood corpsmembers. Nor has the CCC provided operators of neighborhood programs with guidance regarding the content or goals of these educational programs.

Regular corpsmember education. The CCC proposes to use \$400,000 for education of regular corpsmembers, but it has not established educational objectives and priorities for its new educational program. (This problem is discussed below.)

In order to obtain the information that the Legislature needs to evaluate the implementation of the programs established by Chapter 1710, including the educational programs for both the regular and neighborhood corpsmembers, we recommend adoption of the following supplemental report language.

"The California Conservation Corps shall report to the Legislature by October 1, 1985, on its implementation of Ch 1710/84. The report shall include (1) an analysis of demographic and unemployment data for all regular and neighborhood corpsmembers, (2) an evaluation of the educational status and needs of both regular and neighborhood corpsmembers, (3) identification of educational objectives and priorities, (4) a description of the corps' current state and neighborhood educational programs, including employment and training programs, and how they address these needs and objectives, and (5) any recommendations for statutory change.

Educational Goals and Expenditure Plan Lacking

We withhold recommendation on \$527,000 for educational services to regular state corpsmembers, pending receipt of the CCC's education goals and an expenditure plan.

The CCC is requesting \$400,000 from the General Fund in 1985-86 for educational services to regular state corpsmembers, pursuant to Chapter 1710. Approximately \$320,000 of this amount will be used for corpsmembers' tuition and supplies at community colleges, \$35,000 will be used for an educational consultant to assist both the state and neighborhood programs, and \$45,000 will be used for administrative costs.

In a separate proposal, the CCC requests an additional \$170,400 from the General Fund for staff training and corpsmember education in 1985-86. Of this amount, \$43,400 is proposed for (1) staff training in literacy and the use of power tools and (2) employment services for corpsmembers. This request appears reasonable, and we recommend that it be approved. The remaining \$127,000 is requested for an intensive literacy program and contracts with teachers to provide instruction for regular corpsmembers who do not have high school diplomas. This proposal was developed separately because Chapter 1710 does not specifically authorize these activities. In combination with the \$400,000 for community college programs, the two proposals provide a total of \$527,000 for educational services to regular corpsmembers.

Background. Almost one-half of the corpsmembers placed in the field last year did not have a high school diploma, and only 10 percent have any college education. There are no statutorily established educational objectives or expenditure priorities for the education of regular corpsmembers and the CCC has not developed them—either for corpsmembers as a whole or for individual corpsmembers.

The corps assesses each corpsmember's reading level at the time he or she enters the corps. The results of the reading test are sent to the center where the corpsmember is placed. The corps does not, however, evaluate

CALIFORNIA CONSERVATION CORPS—Continued

math and other skills which are essential to prepare for a high school diploma equivalency examination. Furthermore, although corpsmembers are required to write something every day, the staff time and expertise available to develop their reading and writing skills is minimal and varies among centers.

Only 54 corpsmembers received a high school diploma or its equivalent last year. This is less than 7 percent of the corpsmembers without diplomas.

Analysis of the Budget Request. The CCC has not developed an expenditure plan or justified the amounts requested for educational services to corpsmembers in 1985-86. Neither of the proposals assesses corpsmembers' educational needs or identifies the educational objectives to be attained by the corpsmembers. Nor is there any explanation of why the corps is requesting \$400,000 for *further* education of corpsmembers who already have high school diplomas, but only \$127,000 for those without a diploma. In addition, the proposals are not specific. For example, they do not indicate how many corpsmembers would attend community colleges, the priorities that would be used to select them, or the types of classes they could take.

We believe the community college proposal and the literacy proposal should be integrated into an overall educational plan so that the Legislature can understand the corps' goals and hold the corps accountable for achieving them. Both of these proposals affect *regular* corpsmembers in the CCC's program, so that the corps should be able to provide the Legislature with a well-thought-out plan prior to budget hearings.

Accordingly, we withhold recommendation on the \$527,000 requested, pending receipt of an education and expenditure plan that (1) establishes preliminary educational objectives and priorities and (2) provides a basis for the amount of funds requested.

Potential Staff Reductions

We recommend that the CCC identify potential savings that would result if supervision for some corpsmembers is transferred to the Department of Parks and Recreation as the budget proposes.

The budget proposes to make available to the Department of Parks and Recreation (DPR) 131 corpsmembers for use as park aides, in lieu of 29 personnel-years of seasonal staff. These corpsmembers would perform light housekeeping and maintenance tasks.

In our analysis of the DPR's budget (please see page ____), we withhold recommendation on the proposal, pending receipt of a specific plan for implementing the proposal and identification of the potential savings anticipated from it.

If the Legislature approves the proposed arrangement with DPR, the CCC may realize significant savings in its budget. This is because DPR will assume responsibility for on-the-job supervision of the 131 corpsmembers. Normally each crew of 12 or 15 corpsmembers is supervised by one CCC staff person. Thus, if the corpsmembers assigned to DPR are supervised by DPR staff, up to 11 CCC supervisory positions could be eliminated for a savings of approximately \$250,000.

Since the DPR and the CCC have not determined whether to shift entire crews to the parks, we cannot determine at this time the extent of any staff reductions and savings that could be achieved. Accordingly, we

recommend that the CCC identify at budget hearings the potential staff reductions and savings that could be realized as a result of the administration's proposal to shift supervision of corpsmembers to DPR staff.

Nondisaster Overtime Overbudgeted

We recommend a reduction of \$124,000 requested for nondisaster overtime to correct for overbudgeting.

Pursuant to the Memorandum of Understanding with Bargaining Unit 7 (CAUSE) the budget requests \$720,000 for employee uniforms, allowances, training, and overtime. Of this amount, approximately \$690,000 is provided for nondisaster overtime, based on a six-month study showing that employees were working 10-hour days. The budget also provides for \$590,000 of Compensated Time Off (CTO) during CCC "spikes," when corpsmembers and staff establish temporary camps.

The amount budgeted for nondisaster overtime was not reduced to reflect the weekdays when staff is receiving CTO for overtime related to spikes, resulting in a double-budgeting error of \$124,000.

We recommend that the amount budgeted for nondisaster overtime be reduced by \$124,000 (Item 3340-001-001) to correct this error.

CALIFORNIA CONSERVATION CORPS—CAPITAL OUTLAY

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

Budget p. R 17

Requested 1985-86	\$637,000
Recommended approval	339,000
Recommended reduction	69,000
Recommendation pending	229,000

ANALYSIS AND RECOMMENDATIONS

Minor Capital Outlay

We recommend that Item 3340-301-036(1), minor projects, be reduced by \$69,000 to eliminate funding for three projects, to reduce funding for one project, and to correct for overbudgeting of the entire minor capital outlay request. We withhold recommendation on \$229,000 for three projects, pending receipt of additional information.

The budget proposes \$637,000 from the Special Account for Capital Outlay (SAFCO) for 26 minor capital outlay projects (\$200,000 or less per project) to be undertaken by the California Conservation Corps (CCC). Ten of the proposed projects are for fire and life safety modifications to CCC facilities. The remaining 16 projects are for center improvements.

We recommend approval of \$339,000 for 20 projects, ranging in cost from \$2,000 for installation of additional electrical outlets at the Santa Clara Center to \$85,000 for remodeling of the CCC Academy administration building. The scope and cost of these projects are reasonable and should proceed.

We have concerns, however, with the following aspects of the request:

We recommend a reduction of \$33,000 to eliminate funding for three

CALIFORNIA CONSERVATION CORPS—CAPITAL OUTLAY—Continued

projects which are not justified and to reduce funds for one project which can be accomplished in a less costly manner. These projects are:

- **Chip Seal In-Camp—El Dorado (\$13,000).** We recommend deletion because this project is of a special repair nature and should be budgeted from support funds.
- **Security Flood Lights—Escondido (\$2,000).** We recommend deletion because the corps has provided no indication that there is a security problem at this facility.
- **Fire Alarm System—Santa Clara (\$3,000).** We recommend deletion because the corps has not indicated that such a system is required by existing fire safety codes.
- **Construction of Auto Shop—Del Norte (\$23,000).** We recommend that this project be reduced by \$15,000 because a less expensive "pre-packaged" unit is available, and, in fact, one has been requested by the corps in another project.

We recommend a reduction of \$36,000 to eliminate a 6 percent contingency tax which has been built into the CCC's overall minor capital outlay request. Funds for construction contingencies normally are budgeted within each minor capital outlay project, and should not be included as an add-on item based upon the department's total minor project request.

We withhold recommendation on \$229,000 requested for the following projects, pending receipt of additional information:

- **Installation of Gas Tank and Pump—Del Norte (\$3,000).** Information is needed to verify that the project, as proposed, will comply with new regulations governing underground storage tanks.
- **Renovate Housing Unit 8—Pomona (\$144,000).** Information is needed (1) justifying the need for an additional space, and (2) evaluating the potential for using corps members to perform the contract work.
- **Renovate Napa State Hospital Facility (\$82,000).** A revised cost estimate is needed because the corps maintains that the work required at this facility is more extensive than originally anticipated.

Resources Agency

ENERGY RESOURCES CONSERVATION AND DEVELOPMENT
COMMISSION

Item 3360 from various funds

Budget p. R 17

Requested 1985-86	\$39,097,000
Estimated 1984-85	40,683,000
Actual 1983-84	19,496,000
Requested decrease (excluding amount for salary increases) \$1,586,000 (-3.9 percent)	
Total recommended reduction	882,000
Recommendation pending	547,000

1985-86 FUNDING BY ITEM AND SOURCE

Item—Description	Fund	Amount
3360-001-031—Assistance to agricultural and forestry waste-to-energy projects	State Agricultural and Forestry Residue Utilization Account, General	\$4,700,000
3360-001-033—Energy conservation loans to schools, hospitals, and local governments	State Energy Conservation and Assistance Account, General	11,000,000
3360-001-044—Support	Motor Vehicle Account, State Transportation	90,000
3360-001-465—Support	Energy Resources Programs Account, General	20,940,000
3360-001-890—Support	Federal Trust	(3,052,000)
3360-101-001—Grant for waste-to-energy project	General	167,000
3360-101-034—Grants to local governments with geothermal resources	Geothermal Resources Development Account, General	2,200,000
3360-490—Reappropriation of Item 3360-001-189(d), Budget Act of 1982, for demonstration methanol car fleet	Energy Account, Energy and Resources	—
Total		\$39,097,000

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

- | | <i>Analysis
page</i> |
|---|--------------------------|
| 1. Power Plant Siting—Workload. Withhold recommendation on 1.2.5 positions and \$547,000 (Item 3360-001-465) requested for power plant siting program, pending receipt of updated workload estimates. | 406 |
| 2. Power Plant Siting—Application Fees. Recommend Legislature enact legislation requiring the commission to charge third-party developers fees to cover the cost of processing power plant siting applications, because fees (a) would eliminate subsidies now provided by utility ratepayers and (b) could reduce the commission's cost of handling peak workload. | 407 |
| 3. Geysers—Environmental Impact Study. Reduce Item 3360-001-465 by \$150,000. Recommend deletion of funds requested for contracts to analyze the cumulative environmental effects of geothermal development in The Geysers | 409 |

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

- steamfield, because the commission has not documented the need for this study.
4. **Contract Proposal Regarding Energy Survey Data.** 410
Reduce Item 3360-001-465 by \$257,000. Recommend that \$360,000 requested for a contract to analyze a backlog of energy survey data be reduced by \$257,000 because it would be less costly to the state if the work is accomplished by reinstating four personnel-years of graduate student assistance at a cost of \$103,000.
 5. **Methanol Vehicle Demonstration Project.** 410
 Recommend adoption of Budget Bill language limiting the requested reappropriation to \$315,000 in order to delete funds that would be used to (a) build an additional seven methanol fueling stations for the existing methanol vehicle fleets (\$800,000) and (b) contract for technical assistance for the methanol vehicle demonstration program (\$573,000), because the additional stations and contracts are not needed. (Potential savings: \$1,373,000)
 6. **Technical Assistance Contract for Energy Technology Loans.** 413
Reduce Item 3360-001-465 by \$300,000. Recommend deletion of funds for contracts to help the commission administer the Energy Technology Research, Development and Demonstration Account loan program because the commission assured the Legislature that it could administer the program within existing resources.
 7. **Change in Report Requirements.** 414
Reduce Item 3360-001-465 by \$175,000. Recommend deletion of funds for contracts intended to help the commission prepare conservation and development reports required by Ch 1187/84, because the commission advised the Legislature that changes in other reporting requirements would produce sufficient savings to offset any costs associated with these reports.

GENERAL PROGRAM STATEMENT

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

The commission, located in Sacramento, has 358 authorized positions in the current year.

OVERVIEW OF THE BUDGET REQUEST

The budget proposes six appropriations totaling \$39,097,000 from various state funds for support of the Energy Resources Conservation and Development Commission in 1985-86. This is a decrease of \$1,586,000, or 3.9 percent, from estimated current-year expenditures. This decrease, however, does not take into account the cost of any salary or staff benefit increases that may be approved for the budget year.

The budget also reappropriates the unencumbered balance of Item

Table 1
Energy Commission
Budget Summary
1983-84 through 1985-86
(dollars in thousands)

	Personnel-Years			Expenditures			Change, 1985-86 over 1984-85	
	Actual 1983-84	Estimated 1984-85	Proposed 1985-86	Actual 1983-84	Estimated 1984-85	Proposed 1985-86	Amount	Percent
<i>Program</i>								
Regulatory and planning	95.6	144.5	147.6	\$5,878	\$10,526	\$9,262	-\$1,264	-12.0
Energy resources conservation	55.0	42.5	41.5	13,312	14,631	16,100	1,469	10.0
Development	57.2	67.2	66.2	6,464	14,655	18,763	4,108	28.0
Policy, management and administration	76.9	96.8	96.8	5,027	5,852	5,712	-140	-2.4
Totals	284.7	351.0	352.1	\$30,681	\$45,664	\$49,837	\$4,173	9.1
<i>Funding Sources</i>								
Energy Resources Programs Account				\$16,989	\$24,778	\$20,940	-\$3,838	-15.5
Energy Conservation Assistance Account				766	5,366	11,000	5,634	105.0
State Agricultural and Forestry Residue Utilization Account				102	5,033	4,700	-333	-6.6
Geothermal Resources Development Account				1,548	4,654	2,200	-2,454	-52.7
Energy Technology Research, Development and Demonstration Account				—	—	6,000	6,000	NA
Energy and Resources Fund				—	—	1,688 ^c	1,688	NA
Other state funds				91 ^a	852 ^b	257 ^d	-595	-69.8
Federal Trust Fund				11,160	4,981	3,052	-1,929	-38.7
Reimbursements				25	—	—	—	—

^a Motor Vehicle Account (MVA).

^b Special Account for Capital Outlay (\$595,000), General Fund (\$167,000), and MVA (\$90,000).

^c Estimated amount of unencumbered balance from 1982 Budget Act appropriation requested for reappropriation.

^d General Fund (\$167,000) and MVA (\$90,000).

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

3360-001-189(d) in the 1982 Budget Act, which appropriated \$3,890,000 from the Energy and Resources Fund for a methanol-fueled vehicle demonstration project. The commission estimates that approximately \$1,688,000 in unencumbered funds will be available for reappropriation in 1985-86.

Table 1 summarizes commission expenditures, by funding source, since 1983-84.

The budget proposes *total* expenditures of \$49,837,000 by the commission in 1985-86, including expenditures of \$3,052,000 from federal funds and \$6,000,000 appropriated by Ch 3595/84 from the Energy Technologies Research, Development and Demonstration Account in the General Fund. This is \$4,173,000, or 9.1 percent, more than the \$45,664,000 that the budget estimates the commission will spend during the current year. The budget document shows that only \$43,833,000 will be expended in 1985-86—\$6,004,000 less than the \$49,837,000 mentioned. The difference is due to the way in which the budget displays expenditures for loan programs. The budget includes \$15,700,000 for energy conservation and biomass energy loan programs in 1985-86. It also anticipates that the commission will receive \$6,004,000 in repayments of past loans (including equipment buy-back agreements). The budget deducts the amount of these repayments from total expenditures for loan and grant programs, so that only the net amount—\$9,696,000—is reflected in the expenditure totals for 1985-86. This is why the budget shows total expenditures of \$43,833,000, while we show total expenditures of \$49,837,000.

Similarly, the budget shows current-year total expenditures as being \$38,445,000, which consists of \$45,664,000 in expenditures partially offset by \$7,219,000 in loan repayments.

Significant Budget Changes

Table 2 summarizes the changes in the commission's budget proposed for 1985-86, by funding source.

The major changes shown in the table are discussed later in this analysis. Also shown in the table are miscellaneous and baseline changes including:

- A reduction of \$582,000 reflecting the expenditure in the current year of one-time Petroleum Violation Escrow Account (PVEA) funds which the state received from the federal government in 1983.
- Additional federal fund reductions totaling \$482,000 for various contracts, and
- Various other minor changes resulting in increases of \$178,000 from the Energy Resources Programs Account and \$135,000 in federal funds. These changes include the elimination of two personnel-years of temporary help due to "program efficiencies."

ANALYSIS AND RECOMMENDATIONS

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

- Increase of \$2 million in loans for energy conservation projects. The budget requests a total of \$11 million for these loans in 1985-86, con-

Table 2
Energy Commission
Proposed 1985-86 Budget Changes
(dollars in thousands)

	<i>Energy Resources Programs Account</i>	<i>Other State Funds</i>	<i>Federal Funds</i>	<i>Totals</i>
1984-85 Expenditures (Revised)	\$24,778	\$15,905	\$4,981	\$45,664
Proposed 1984-85 deficiency appropriation	(1,852)	—	—	(1,852)
<i>Regulatory and Planning Program</i>				
Full-year funding for 12.5 limited-term positions established in the current year for power plant siting.....	195	—	—	195
Delete power plant siting workload contract	-1,500	—	—	-1,500
Continue local assistance for power plant siting	(200)	—	—	(200)
Energy survey analysis contract	360	—	—	360
<i>Conservation Program</i>				
Increase loans for schools, hospitals, and street- lights ^a and shift funding source	-3,634	5,634 ^b	—	2,000
Building standards technical assistance	575	—	—	575
Reduction in energy bank grants	—	—	-1,000	-1,000
<i>Development Program</i>				
Shift funding source for 5 positions in methanol program	-315	315 ^c	—	—
Construct 7 methanol fuel stations	—	800 ^c	—	800
Methanol technical support	—	573 ^c	—	573
Energy technology grants and loans	—	6,000 ^d	—	6,000
Technical assistance for energy technology grants	300	—	—	300
Reduce geothermal grants	—	-2,454 ^e	—	-2,454
Reduce SAFRUA loans	—	-333 ^f	—	-333
Lassen college waste-to-energy project:				
Delete one-time construction cost of labora- tory	—	-595 ^g	—	-595
Continue local assistance for lab support	—	(167) ^h	—	(167)
<i>Miscellaneous Changes and Administrative Ad- justments</i>				
Reduction in PVEA ⁱ funds	—	—	-582	-582
Other changes in contracts	3	—	-482	-479
Other changes (-2 PYs)	178	—	135	313
1985-86 Expenditures (Proposed)	\$20,940	\$25,845	\$3,052	\$49,837
Change from 1984-85:				
Amount	-\$3,838	\$9,940	-\$1,929	\$4,173
Percent	-15.5%	62.5%	-38.7%	9.1%

^a Energy conservation loans to schools, hospitals, public care institutions, and units of local government and loans to local governments for replacing inefficient streetlights.

^b State Energy Conservation Assistance Account, General Fund.

^c Energy and Resources Fund.

^d Energy Technology Research, Development, and Demonstration Account, General Fund (appropriated by Ch 3595/84).

^e Geothermal Resources Development Account, General Fund.

^f State Agricultural and Forestry Residue Utilization Account, General Fund.

^g Special Account for Capital Outlay.

^h General Fund.

ⁱ Petroleum Violation Escrow Account, Federal Funds.

ENERGY RESOURCES CONSERVATION AND DEVELOPMENT COMMISSION —Continued

sisting of \$9 million for energy conservation loans to schools, hospitals, public care institutions, and units of local government and \$2 million for loans to local governments to replace inefficient streetlights.

- Contracts to provide technical assistance to the commission's building standards development and enforcement program (\$575,000 from the Energy Resources Programs Account).
- Implementation of Ch 3595/84, which appropriated \$6 million from the Energy Technology Research, Development and Demonstration Account in the General Fund for grants and loans for energy technology research, development and demonstration projects.
- Funding for studies of Lassen Community College's waste-to-energy demonstration facility (\$167,000 from the General Fund).
- Reduction of \$333,000 in the amount appropriated from the state Agricultural and Forestry Residue Utilization Account for purchase of equipment used by developers to produce biomass energy. The reduction reflects the estimated resources of this revolving account in 1985-86.
- Reduction of \$2,454,000 in the amount of grant and loan funds available from the Geothermal Resources Development Account (GRDA), reflecting a decrease in revenues to the GRDA from mineral development on federal lands in California.

Potential \$6 Million Surplus in ERPA

The budget estimates that the Energy Resources Programs Account (ERPA) will have a reserve of \$7,015,000 at the end of 1985-86. The amount of this reserve would be reduced to approximately \$6 million if a 6.5 percent salary and benefit increase is approved for 1985-86.

The ERPA receives revenue from the state surcharge on electricity sales. Under existing law, funds in the ERPA may be appropriated for ongoing energy programs and projects.

Workload Estimates for Power Plant Siting Too Uncertain

We withhold recommendation on \$547,000 requested to continue 12.5 limited-term positions in the power plant siting program, pending receipt of updated workload estimates.

The budget includes a total of \$4,300,000 and 54.2 personnel-years for the commission's power plant siting program. This includes \$547,000 from the ERPA to continue 12.5 personnel-years that were added administratively in the current year to meet unanticipated workload.

The Department of Finance notified the Legislature in September 1984 that it was approving the commission's request to incur a deficiency of \$1,852,000 in its siting program. The deficiency consists of (1) \$352,000 for part-year funding for 12.5 additional positions (8.8 personnel-years) and (2) \$1.5 million for consultant contracts to help meet unanticipated and peak workload in the siting program. The commission estimates that current-year expenditures for the siting program will be approximately \$5,852,000, including the deficiency amount.

The \$547,000 augmentation requested for 1985-86 would provide full-year funding for the 12.5 positions added in the current year. The budget for 1985-86 does not include the \$1.5 million spent for contract support for unforeseen workload.

The commission indicates that the total amount requested in the budget (\$4,300,000) for power plant siting probably will not be sufficient to meet its siting workload in 1985-86. The Department of Finance and the commission are planning, therefore, to submit a revised funding request to the Legislature in March, when workload can be estimated more accurately. Consequently, we withhold recommendation on the \$547,000 requested from the Energy Resources Programs Account to continue 12.5 positions for power plant siting, pending receipt of this updated workload information.

Fees for Power Plant Application Processing

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

Most power plants being built in California are owned by parties other than utilities (called third parties). These third parties consume the power they produce directly and/or sell the power to utilities. In fact, of the seven applications currently being processed by the commission, four are from third parties.

Siting Costs Now Paid by Utility Ratepayers. Currently, the commission does not charge applicants a fee to cover the cost of the siting process. The cost of the power plant siting program—approximately \$5.9 million in the current year—is borne entirely by the Energy Resources Programs Account (ERPA). The ERPA derives its revenues—about \$33 million annually—from a surcharge imposed on electricity sold by utilities.

Although some power plant siting costs are associated with generic environmental impact studies of various power plant technologies, much of the cost is directly associated with processing specific applications.

When the Warren-Alquist Act established the funding mechanism used to finance power plant siting (1974), virtually all large power plants were built and owned by utilities. It was appropriate, therefore, for utility ratepayers to pay for siting costs (whether through fees recovered in utility rates or through a surcharge on utility bills). This is no longer the case, however. Regulatory changes have made some types of power plants attractive investments for third parties.

Unlike utilities, *the profits of third-party developers are not regulated.* This distinction is important, since it is the limitation on utility profits that made ERPA an appropriate source of funds for power plant siting costs. Because profits of third parties are not regulated, there is no need to "tax" utility ratepayers to finance the costs of siting third-party power plants.

Nevertheless, the current funding mechanism for power plant siting uses ratepayer money (the surcharge) to pay the cost of the siting process for third-party power plants. To the extent the third-party producer consumes the power directly, there is not even a surcharge assessed. Consequently, third-party power plant developers are not paying directly or indirectly for the costs incurred by the commission in processing their siting applications.

The commission estimates that its direct staff costs for the three most-recently completed third-party siting cases were \$314,000, \$270,000, and \$288,000. Using commission data, we estimate that if the three applicants had been charged application fees (including overhead costs), their total project costs would have risen by no more than 0.3 percent.

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

Third-Party Workload Difficult to Forecast. The growing number of third-party power plants makes forecasting workload and budgeting for the commission's siting program a major problem. There are many potential third-party power plant developers and their plans can change rapidly with market conditions. Consequently, it is virtually impossible for the commission to accurately estimate workload one year in advance. In fact, the commission has received informal word that it could receive an additional nine applications from third parties in the current year.

Uneven Workload Increases Costs. Current law requires the commission to process siting applications within one year of receiving them. Because applications are not filed at a constant rate, the commission experiences periods of both high and low workload. For example, the commission estimates average monthly workload for 1984-85 will be approximately 66 personnel-months, but will range from a low of 33 personnel-months in July 1984 to a possible high of 102 personnel-months in June 1985 (assuming the 9 potential applicants do, in fact, file applications in the current year).

In the current year, the commission has allocated \$1.5 million from its deficiency allocation for contracts intended to help commission staff accommodate peak workload. Outside consultants, however, cost the commission twice as much as in-house staff—approximately \$100,000 versus \$50,000 per personnel-year. On the other hand, it could be even more costly for the commission to hire additional full-time staff to meet its peak workload, since many staff members would be idle during all but the highest peak workload periods. The commission does use overtime to meet some peak workload, at approximately 115 percent of regular staff costs. The peaks are sufficiently large, however, so that overtime can only meet a small portion of the peak workload. Thus, if the commission could spread its workload out more evenly throughout the year, the cost of power plant siting would be reduced. One way of doing this would be to charge third-party applicants a variable fee to cover commission costs. During those periods when the commission is faced with a peak workload situation, a new third-party applicant could be given the choice of (1) waiting to submit the application and paying a fee to cover the average costs of the siting process or (2) submitting the application during the peak workload period and paying the higher fee needed to cover the additional cost of using overtime and/or outside contract services.

Conclusion. In sum, our analysis indicates that a policy of charging application fees to third-party developers would:

- Eliminate the subsidy now being provided to third-party power developers by utility ratepayers; and
- Reduce the cost of the power plant siting program by reducing workload peaks.

The commission could develop a fee system for third-party developers without difficulty, because its management information system already accounts for all program costs attributed to each application. Accordingly, we recommend that the Legislature enact legislation requiring the commission to charge third-party applicants fees sufficient to cover the costs of processing power plant siting applications.

Studies of The Geysers Not Justified

We recommend that \$150,000 requested for contracts to analyze the cumulative environmental effects of geothermal development at The Geysers be deleted because the proposed work has not been justified and is premature. (Reduce Item 3360-001-465 by \$150,000.)

The budget requests \$150,000 from the ERPA to fund a contract that would (1) develop and maintain a resource data system to identify and evaluate cumulative environmental impacts of geothermal development at The Geysers and (2) identify the availability of water for injection into geothermal steamfields and to evaluate the environmental effect of diverting water for injection. The commission's request does not identify the individual cost of the two contract components.

Cumulative Environmental Impact Studies Are Accumulating. The commission's 1984-85 budget contains \$100,000 for cumulative environmental assessments in The Geysers similar to those proposed for 1985-86. The commission has received funding for similar studies in previous years. The budget however, does not describe how the new work to be done in 1985-86 would differ from that done in 1984-85 or prior years or, for that matter, why additional work is needed. As a result, we are unable to confirm that additional studies are needed or that the proposed amount is reasonable given the potential benefits from these studies. Consequently, we recommend that the funds requested for the cumulative environmental impact study be deleted.

Injection Study Is Premature. The commission states that the second objective of its proposed contract is to identify additional sources of water that could be injected into The Geysers and to evaluate the environmental and economic effects of developing these sources.

Water injection is being used to increase the amount of steam that can be recovered from wells in the field. It would seem that studying the environmental effects of water diversion would be premature until it has been demonstrated that injecting additional water in this manner would be more effective than current injection techniques at The Geysers.

The Administration Needs to Get its Act Together. In attempting to justify the water diversion portion of the proposed contract, the commission states that "in a companion study, the commission will contract with the Division of Oil and Gas to compile and evaluate existing water injection data to determine the effectiveness of current injection techniques in extending the useful life of The Geysers steamfield." The Division of Oil and Gas (DOG) in the Department of Conservation, however, indicates it has not made plans for any such companion study. In fact, the DOG was not even aware of the commission's proposal to study water injection at The Geysers until we brought it to the staff's attention.

The commission also states that "an interagency agreement with the DOG will provide funds to tabulate, compile, and analyze available data on water injection and evaluate existing injection data." DOG staff, however, indicate that the commission has never discussed this interagency agreement with them.

Conclusion. In sum, the commission's request for \$150,000 to contract for studies at The Geysers is not justified because (1) the commission has not shown that additional cumulative environmental impact studies are needed and (2) the proposal to study the environmental effects of using additional water for injection has not been coordinated with the DOG and is premature. Accordingly, we recommend deletion of the \$150,000 requested in Item 3360-001-465 for the proposed studies.

ENERGY RESOURCES CONSERVATION AND DEVELOPMENT COMMISSION —Continued

Bring Back the Students

We recommend that \$257,000 for unnecessary contract costs to analyze survey data be deleted because the work can be done for less than one-third the proposed cost by hiring graduate student assistants. (Reduce Item 3360-001-465 by \$257,000.)

The commission requests \$360,000 from the ERPA in 1985-86 for a contract to analyze survey data on energy use. Under existing law and regulations, each major electric and gas utility must collect data on energy use from its residential, commercial and industrial customers every two years and submit the data to the commission. The commission uses the survey data to forecast energy supply and demand in the state and to evaluate the effect of conservation programs.

The commission indicates that it has accumulated a backlog of survey data which it cannot analyze with existing resources. According to the commission, the elimination of seven part-time graduate student assistant positions (the equivalent of four personnel-years) from the demand and trends assessment program in 1982 has caused the backlog.

According to the commission, the proposed contract would enable it to eliminate the current backlog of survey data. To avoid future backlogs, however, the contract would have to be continued beyond the budget year because the commission is receiving new survey information faster than its existing staff can analyze it.

Graduate Student Interns Can Do the Work for One-Third the Cost. Our analysis indicates that it would be far more cost-effective to analyze the survey data using graduate interns, than by contracting out for this service. The commission indicates that it could eliminate the backlog of unanalyzed survey data and prevent backlogs from occurring in the future if it were to hire four personnel-years of graduate interns (which would provide about seven part-time positions). Four personnel-years of graduate student assistants would cost the commission approximately \$103,000, assuming all students are hired at the middle step of the graduate student intern classification. Accordingly, we recommend that (1) \$257,000 be deleted from Item 3360-001-465 and (2) \$103,000 be approved for four personnel-years of graduate student assistants.

Expansion of Methanol Vehicle Demonstration Project Not Justified

We recommend that the Legislature adopt Budget Bill language in Item 3360-490 limiting the amount of this reappropriation to \$315,000 in order to delete funds for (1) seven additional methanol fueling stations (\$800,000) and (2) contracts to provide technical assistance for the methanol fleet demonstration project (\$573,000), because the additional stations and contracts are not needed. (Potential savings: \$1,373,000)

The budget requests the reappropriation of unspent funds remaining from Item 3360-001-189 (d) in the 1982 Budget Act. That item appropriated \$3,890,000 from the Energy Account of the Energy and Resources Fund (ERF) for a project to demonstrate the performance of methanol-powered automobiles in normal fleet operations. (Methanol is a form of alcohol principally produced from natural gas.) During 1982-83, the commission encumbered the funds for contracts to (1) acquire 501 methanol-powered automobiles from the Ford Motor Company, (2) establish 32

methanol fueling stations, and (3) acquire 125 high performance methanol-powered vehicles to be operated by the California Highway Patrol. At the time this analysis was written, the commission had spent a total of \$2,202,000 on the methanol fleet program. The budget would reappropriate the remaining amount—\$1,688,000—to the commission for encumbrance in 1985–86.

The commission would use the \$1,688,000 to (1) continue five limited term positions in 1985–86 in order to oversee the methanol fleet project (\$315,000), (2) contract for seven additional fueling stations (\$800,000), and (3) contract for assistance on a wide range of technical issues (\$573,000). The commission does not propose to carry out the CHP vehicle program at this time.

Background. The goal of the demonstration is to test the performance of regular-production methanol-powered vehicles in normal fleet operation. (Prior to the demonstration, the commission only had tested prototype vehicles.) At the conclusion of the demonstration, Ford will repurchase the vehicles for engineering analyses.

The methanol cars have been operating in the motor pool fleets of 22 state and local government agencies. The commission indicates that the fleet vehicles have performed well to date, but that the fleet must acquire additional mileage before the durability of methanol-powered vehicles can be assessed.

Additional Fueling Stations Are Not Needed. The commission has spent approximately \$900,000 of the \$3,890,000 appropriated in the 1982 Budget Act for 18 methanol fueling stations. These stations, which were established between June 1983 and February 1984, are located around the state, from Marysville in the north to San Diego in the south. The methanol stations were added to existing gasoline stations at a cost of approximately \$50,000 per station. The commission proposes to establish an additional seven stations at unspecified locations, at a total cost of \$800,000, or about \$114,000 per station.

The commission claims that the additional stations are needed to (1) increase the range of the existing fleets and (2) increase the rate at which the vehicles acquire mileage. According to the commission, the methanol vehicles currently are used only for local round trips, and some vehicles have been driven as few as 1,000 miles. The commission contends that such limited use will not provide sufficient data on the durability of the cars.

The commission, however, has not demonstrated that the limited use of some cars is a result of not having enough fueling stations. It appears from the evidence provided by the commission that the methanol-powered cars are acquiring mileage at widely varying rates, and some vehicles have been driven approximately 100,000 miles.

Nor has the commission explained why acquiring the durability information is of sufficient urgency to justify the expenditure of the \$800,000 in state funds, or how much faster the information would be acquired with the additional stations. Furthermore, the commission indicates that in the year since the last of the 18 methanol fueling stations was built, it has not determined where any additional stations should be built.

For these reasons, we do not believe the need for the seven additional fueling stations has been established, and accordingly we recommend the deletion of the \$800,000 requested.

Technical Support Contracts. The commission is requesting \$573,000 for contracts to provide technical support to the fleet demonstration project. The commission proposes to contract for the following activities:

ENERGY RESOURCES CONSERVATION AND DEVELOPMENT COMMISSION —Continued

- Test and evaluate exhaust emissions (\$100,000);
- Perform air quality studies (\$60,000);
- Assess health effects of various methanol fuel formulations (\$90,000);
- Determine factors related to fuel economy (\$90,000);
- Analyze the effect of methanol on automobile materials wear (\$120,000); and
- Promote the benefits of methanol powered cars to the public (\$113,000).

The commission notes that "these areas needing attention cut across all lines of the emerging industry and thus are appropriately activities which should be jointly sponsored by the industry, California, and the federal government." The commission has not provided any plan, however, for industry and the federal government to "jointly sponsor" the proposed activities.

Work Being Done by Other Agencies. Our analysis indicates, in fact, that much of the proposed work is *already* being performed by other government agencies. Furthermore, the proposed activities for which the commission is seeking funds more appropriately should be undertaken by other government agencies or the automobile industry itself. In fact, the California Air Resources Board (ARB) indicates that it currently is using approximately three-to-four personnel-years of staff at its emissions test lab in El Monte to analyze the exhaust emissions from the methanol-powered fleet cars. In addition, the ARB indicates that it will spend approximately \$150,000 in the current year to model the effects of methanol-powered vehicles on air quality. The Environmental Protection Agency (EPA) also is evaluating the effects of methanol cars on air quality and is developing emission standards for such vehicles. The ARB and EPA, not the commission, are responsible for regulating air pollution, and the commission has not established the need for it to supplement the work of these agencies by contracting for additional emissions testing and air quality modeling. Nor has it established the need for it to supplement the health effects analyses of the Department of Health Services by analyzing methanol fuel formulations specifically.

Ford Doing Engineering Studies. According to the commission, Ford will conduct detailed engineering analyses of the methanol cars at the conclusion of the demonstration program. These analyses should provide information on fuel economy and materials wear. It is not clear what the requested funds would be used for unless the commission has in mind taking over the responsibility from Ford of paying for these studies. This would seem neither necessary nor desirable.

Promotion of Methanol Vehicles Is Premature. Finally, the commission's proposal to promote methanol powered cars to the public is premature. By the commission's own standards, the methanol powered fleet test has not fully demonstrated the feasibility and economy of methanol powered vehicles.

In sum, we find the request for \$573,000 in contracts to expand the demonstration program is not justified. Accordingly, we recommend deletion of \$573,000 from the amount requested to continue the demonstration program.

Positions Needed to Manage Project. The commission is requesting \$315,000 from the 1982 appropriation to continue five limited-term posi-

tions in 1985-86. These limited-term positions, which currently are funded from the ERPA, expire at the end of the current year. Our analysis indicates that the five positions are necessary to manage the project. Accordingly, we recommend approval of the five limited-term positions and the requested \$315,000.

Analyst's Recommendation. To summarize, we recommend that the Legislature adopt Budget Bill language in Item 3360-490 limiting the amount reappropriated from Item 3360-001-189(d) of the 1982 Budget Act to \$315,000, in order to delete funds requested for the additional fueling stations and technical assistance contracts. Our recommended language is as follows:

"Notwithstanding any other provisions of law, \$315,000 of the unencumbered balance, on the effective date of this act, of the appropriation provided in the following citation is reappropriated to provide staff for the commission to continue managing the methanol fleet demonstration program, and this amount shall be available for expenditure until June 30, 1986, for transfer to Item 3360-001-465:

189—Energy Account, Energy and Resources Fund

(1) Item 3360-001-189(d), Budget Act of 1982.

Provisions:

1. The amount reappropriated by this item may be increased by the amount needed to provide employee compensation increases pursuant to Item 9800-001-494."

Technical Assistance for Energy Technology Loans

We recommend that \$300,000 requested for technical assistance contracts to support the commission's energy technologies grant and loan program be deleted because the commission assured the Legislature it could implement the program within existing resources. (Reduce Item 3360-001-465 by \$300,000.)

The budget requests \$300,000 from the ERPA for contracts to assist the commission in administering Ch 1595/84 (AB 3897). Chapter 1595 created the Energy Technologies Research, Development and Demonstration Account (ETRDDA) in the General Fund. The act transferred a total of \$6 million from the ERPA to the ETRDDA—\$1 million in 1984-85 and \$5 million in 1985-86—to provide loans to finance energy research, development and demonstration projects. The funds in the ETRDDA and all loan repayments received by the ETRDDA are continuously appropriated to the commission for making additional loans.

The \$300,000 requested from the ERPA would be used to fund contracts providing the commission with assistance in:

- Designing a framework for implementing Ch 1595/84
- Evaluating loan proposals
- Assisting with the design and operation of projects receiving loans
- Transferring information about technologies used by loan recipients to other projects
- Evaluating the effectiveness of the loan program

In addition, the commission proposes to use an unspecified amount of the requested contract funds to assist small power producers in developing wind, geothermal, photovoltaic (solar), and small hydroelectric projects.

Commission Said It Could Administer ETRDDA Program within Existing Resources. In our analysis of AB 3897, we estimated that the commission could incur major annual costs (greater than \$100,000) in

ENERGY RESOURCES CONSERVATION AND DEVELOPMENT COMMISSION
—Continued

administering the ETRDDA program. In response to our analysis, the commission gave assurance that it could, in fact, implement the ETRDDA program within its existing resources, because the ETRDDA was so similar to other commission grant and loan programs. On this basis, the Department of Finance's enrolled bill analysis of AB 3897 did not identify any costs to the commission of administering the loan program.

Given that the commission told the Legislature it would not require additional funds to administer AB 3897, we recommend deletion of the \$300,000 requested for technical support contracts in Item 3360-001-465.

Change of Reporting Requirements Produces Offsetting Savings and Costs

We recommend that \$175,000 requested for contract funds to assist the commission in preparing the new energy conservation and development reports required by Ch 1187/84 be deleted because the commission assured the Legislature that Ch 1184/84 would not impose any net cost. (Reduce Item 3360-001-465 by \$175,000.)

The budget requests \$175,000 from the Energy Resources Programs Account for contracts to assist the commission in preparing its biennial conservation report (\$100,000) and biennial development report (\$75,000), which must be submitted to the Legislature by October 1, 1986, and June 1, 1986, respectively.

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

Commission Estimated Offsetting Savings and Costs. When SB 1549 was being heard by the Legislature, the commission indicated that this legislation would reduce the cost of producing existing reports, because the legislation staggered the *Electricity Report* and *Biennial Report* in alternate years. Previously, the commission had to submit these reports in the same year. The commission further indicated that these savings would offset the increased costs of expanding its fuels report to include more fuels and a risk assessment, as SB 1549 requires, and producing separate conservation and development reports. As a result, the commission claimed that the legislation would not have any net fiscal effect. The Department of Finance, in its enrolled bill analysis of SB 1549, indicated that the commission might incur net administrative costs of approximately \$30,000 as a result of the measure, which it assumed could be absorbed within existing resources.

Because the commission assured the Legislature that it could absorb these costs, we recommend deletion of the \$175,000 in contract funds requested for the conservation and development reports.

Resources Agency

CALIFORNIA WASTE MANAGEMENT BOARD

Item 3380 from the General
Fund

Budget p. R 26

Requested 1985-86	\$3,904,000
Estimated 1984-85	4,099,000
Actual 1983-84	3,743,000
Requested decrease \$195,000 (-4.8 percent)	
Total recommended reduction	None
Recommendation pending	472,000

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS*Analysis
page*

1. Compliance Inspections. Withhold recommendation on \$472,000 requested for compliance inspections, pending receipt of a report that includes (1) an analysis of the cost and benefits of contracting with the regional water quality control boards to perform inspections and (2) an inspection workplan. 417
2. Comprehensive Plan. Recommend that the board report at hearings on the activities and resources needed to implement the comprehensive plan. 419

GENERAL PROGRAM STATEMENT

The California Waste Management Board is responsible for (1) ensuring that nonhazardous wastes are disposed of and managed in a safe and environmentally sound manner and (2) encouraging the adoption of environmentally, economically, and technically sound alternative waste disposal practices, such as recycling and waste-to-energy facilities. Under existing law, local government has the primary responsibility for solid waste management, enforcement, and associated planning. There are approximately 700 solid waste facilities and 120 local enforcement agencies (LEAs) in the state.

The board's regulatory responsibilities include (1) setting minimum standards for waste handling and facility operation, (2) conducting oversight inspections of landfills, (3) reviewing permits issued by LEAs, (4) investigating closed or abandoned landfill sites, and (5) approving county solid waste management plans. The board is located in Sacramento and has 71.3 personnel-years of staff in the current year.

OVERVIEW OF THE BUDGET REQUEST

The budget requests \$3,904,000 from the General Fund for support of the California Waste Management Board in 1985-86. This is \$60,000, or 1.5 percent, less than estimated current-year General Fund expenditures. This reduction, however, will be more than offset by the cost of salary and staff benefit increases that may be approved by the Legislature for the budget year.

Total expenditures proposed for 1985-86 are \$3,987,000, including expenditures of \$83,000 from reimbursements. The proposed amount is \$195,000, or 4.7 percent, less than estimated current-year expenditures from all funding sources.

CALIFORNIA WASTE MANAGEMENT BOARD—Continued

The budget does not include any funds for inflation adjustments for operating expenses and equipment (\$53,000). Presumably, these costs will be financed by diverting funds budgeted for other purposes.

The budget proposes to reduce the board's total staff from 71.3 person-years (PYs) in 1984-85 to 63.2 PYs in 1985-86, a decrease of 8.1 PYs, or 11.4 percent.

Table 1 summarizes staffing and expenditures for the California Waste Management Board in the prior, current, and budget years.

Table 1
California Waste Management Board
Budget Summary
1983-84 through 1985-86
(dollars in thousands)

	Personnel-Years			Expenditures		
	Actual 1983-84	Estimated 1984-85	Proposed 1985-86	Actual 1983-84	Estimated 1984-85	Proposed 1985-86
Monitoring and Enforcement	22.7	26.5	31.3	\$1,731	\$2,122	\$2,221
Resource Conservation and Recovery ..	24.2	17.5	13.1	2,087	2,060	1,819
Administration (allocated to other pro- grams)	28.7	27.3	18.8	(1,387)	(1,502)	(1,260)
Unallocated General Fund Reduction for Operating Expenses	—	—	—	—	—	-53
Totals	75.6	71.3	63.2	\$3,818	\$4,182	\$3,987
<i>Funding Sources</i>						
General Fund				\$3,324	\$3,964	\$3,904
Environmental License Plate Fund				419	135	—
Reimbursements				75	83	83

Proposed Budget Changes

Table 2 shows the changes in the California Waste Management Board's budget proposed for 1985-86, by funding source.

Table 2
California Waste Management Board
Proposed Budget Changes
1985-86
(dollars in thousands)

1984-85 Expenditures (Revised)	\$4,182 ^a
Administrative staff reduction (-8 PY)	-232
Completion of Comprehensive Plan	-135 ^b
Compliance Inspections staff increase (4 PY)	234
Landfill gas monitoring (1 PY)	118
Public information staff decrease (-2 PY)	-58
Recycling data base	50
Facility operations savings	-93
Miscellaneous adjustments	-79
1985-86 Expenditures (Proposed)	\$3,987 ^c
Change from 1984-85:	
Amount	-\$195.0
Percent	-4.7%

^a Includes \$135,000 from the Environmental License Plate Fund and \$83,000 from reimbursements.

^b Environmental License Plate Fund.

^c Includes \$83,000 from reimbursements.

ANALYSIS AND RECOMMENDATIONS

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

Administrative Staff Reduction. The budget proposes a net reduction of \$232,000 and 8.5 PYs. These reductions consist of (1) \$192,000 in savings (net) made possible by eliminating 8.0 PYs from the board's existing administrative services staff of 21 PYs and contracting with the Department of General Services for accounting services now provided by two of these positions and (2) \$40,000 in savings from reducing the board chair's position to half time, as required by Ch 1534/84.

Landfill Gas Monitoring. The budget requests \$118,000 for one position and contracts to study gas migration at selected landfill sites.

Public Information Staff Reduction. The budget proposes a net reduction of \$58,000 and 2.0 PYs in the Public Information Office to reflect (1) reduced workload and (2) a proposal to contract out certain information activities in the San Francisco Bay Area, instead of using state staff to conduct these activities.

Recycling Data Base. The budget proposes \$50,000 for contracts to (1) develop data on waste generation, recycling and secondary material markets in selected counties, and (2) refine a computer model that analyzes the economics of alternative waste disposal methods.

Merger Would Reduce Board's High Administrative Costs

The budget requests \$1,260,000 for the administration and management of the board in 1985-86. This amount is 31.6 percent of the board's total proposed expenditures in 1985-86. Thus, for every two dollars spent on board programs, almost one dollar is spent on administration and management. This high proportion of overhead costs may be due in large part to the small size of this agency. Regardless of size, the maintenance of the board as a separate agency requires some minimum level of management and administration. Consequently, the small size of the CWMB means that it may not be able to carry out its responsibilities in a cost-effective manner. For this reason, the board would be a good candidate for merger into other agencies with similar roles (such as the Water Resources Control Board or the Department of Health Services) or for inclusion in any future department of toxics or waste.

Contracts Could Improve Compliance Inspections

We withhold recommendation on \$472,000 in Item 3380-001-001 and 9 positions requested for compliance inspections, pending receipt of a report containing (1) workload information and a specific description of the inspections to be done and (2) an analysis of the costs and benefits from contracting with the regional water quality control boards to conduct compliance inspections.

The budget requests \$234,000 for four new positions in the Office of Enforcement to inspect landfills for health and environmental problems. Of this amount, \$91,000 is for monitoring equipment, contracts for laboratory work, and related consultant services. The new positions would augment approximately five existing positions and \$238,000 in the board's base

CALIFORNIA WASTE MANAGEMENT BOARD—Continued

budget for compliance inspections. Thus, the budget is proposing a total of nine positions and \$472,000 for compliance inspections in 1985–86. The board indicates that it could perform 150 “definitive” facility inspections in 1985–86 with this larger staff.

Mandated Compliance Inspections. Chapter 1369, Statutes of 1982, requires the California Waste Management Board (CWMB) to perform compliance inspections at landfills and waste transfer stations in order to (1) identify compliance problems and (2) monitor the effectiveness of the LEAs’ inspection and enforcement programs. Chapter 1369 requires the board to inspect the following proportions of facilities every two years:

- 50 percent of the facilities that receive more than 100 tons of waste per day (large facilities);
- 25 percent of all other permitted facilities (small facilities).

There currently are 194 large facilities and 498 small facilities in the state. Based on the schedule in Ch 1369/82, the board should complete 112 facility inspections annually—49 at large facilities and 63 at small facilities.

Board Not Meeting Inspection Schedule. During the two-year period 1982–83 through 1983–84, the board completed 157 inspections. This is approximately 67 inspections, or 30 percent, less than the number required to meet the schedule in Ch 1369/82. As of January 1, 1985, only 13 of the 112 required inspections for 1984–85 had been completed. The board has indicated that the extremely small number of inspections during the first half of the current year in part may reflect the board’s decision to redirect compliance inspection staff to review permit renewals for waste facilities.

The proposal does not describe a “definitive” inspection or how it will differ from current inspections. Presumably, definitive inspections will require more time and effort than the current inspections. Given the existing backlog of regular inspections, it is not apparent that adding four new positions to the current inspection staff of five will allow the board to complete the 112 regular inspections required by Ch 1369/82, let alone 150 “definitive” inspections.

Contracting With Regional Water Quality Control Boards May Be Preferable. The CWMB may be able to improve both the quantity and quality of its inspections by contracting with the regional water quality control boards (RWQCBs) to perform the inspections. The RWQCBs issue waste discharge orders to all landfills and regularly inspect these facilities. The RWQCB inspections cover many of the same elements as the CWMB’s inspection, including dirt cover, grading erosion, leachate, and ponded water. Most of the other elements covered by CWMB inspections, such as litter and disease-carrying organisms, are easily observable and are adequately regulated by the local enforcement agencies. The serious health and environmental problems which the board proposes to investigate are largely related to water quality, landfill gas, and hazardous wastes—all areas in which the RWQCBs are already experienced. With some additional training, the regional water board’s engineers could perform these inspections.

It is likely that use of the board’s engineers for this additional purpose could both reduce costs and increase output and they could inspect facilities more frequently. Savings could be achieved in salaries, equipment, and travel. In fact, with nine RWQCBs located throughout the state, the regional boards would be able to achieve savings in both staff time and

travel costs, relative to the CWMB which must conduct inspections using Sacramento-based staff.

Despite the apparent advantages that contracting with the RWQCBs for the required inspections would offer, the CWMB did not examine this alternative in preparing its budget change proposal.

Accordingly, we withhold recommendation on \$472,000 and 9 positions requested for compliance inspections pending receipt of a report from the CWMB on the contracting option. This report should be prepared in consultation with the State Water Resources Control Board, and should analyze (1) the costs and benefits of contracting with the regional water quality control boards to perform compliance inspections and (2) any statutory changes that would be necessary to permit contracting. The report also should include a work plan describing (a) the specific landfill problems to be investigated in 1985-86, (b) the methods and procedures to be used in conducting the inspections, (c) the workload standards for regular and definitive inspections, and (d) the equipment and training needed to conduct the inspections.

Comprehensive Plan Status

We recommend that during budget hearings, the board report on the status of its Comprehensive Plan and the potential effect of the plan on its programs in 1985-86.

The 1983 Budget Act appropriated \$500,000 from the Environmental License Plate Fund (ELPF) to the board for use over a two-year period in preparing a comprehensive solid waste management plan and implementation schedule. The primary purposes of the plan are to (1) identify economically feasible and environmentally sound alternatives to landfill disposal and (2) to evaluate the existing regulatory framework for solid waste planning and enforcement activities.

In October 1984, the board released a draft Comprehensive Plan Summary. The final plan is scheduled to be released by June 30, 1985.

The summary includes (1) a discussion of potential regulatory reforms, (2) an identification of emerging solid waste problems and management alternatives, and (3) preliminary recommendations. These preliminary recommendations are not reflected in the board's budget for 1985-86.

The most significant of the preliminary recommendations call for:

- The state to set as a goal that 50 percent of its municipal wastes will be processed at waste-to-energy (WTE) facilities by the year 2000.
- The establishment of a \$500 million financial assistance program and other economic incentives for WTE facilities.
- Use of mediation and arbitration in the process for siting waste facilities.
- Expansion of programs to characterize and control gas emissions at landfills.
- Establishment of a state plan creating eight resource recovery regions and economic incentives such as tax credits for recycling.

The board intends to commit significant staff effort to develop legislation, conduct studies and institute program changes in order to implement the Comprehensive Plan. The budget, however, does not identify the resources that this effort will require or the activities from which staff will be redirected. We recommend, therefore, that the board report at budget hearings on (1) the current status of the comprehensive plan, and (2) any redirections of staff and funds that are contemplated for 1985-86 in connection with its efforts to implement the plan.

**Resources Agency
AIR RESOURCES BOARD**

Item 3400 from the General
Fund and special funds

Budget p. R 30

Requested 1985-86	\$50,492,000
Estimated 1984-85.....	44,968,000
Actual 1983-84	49,317,000
Requested increase (excluding amount for salary increases) \$5,524,000 (+12 percent)	
Total recommended reduction	2,771,000
Recommendation pending	1,702,000

1985-86 FUNDING BY ITEM AND SOURCE

Item—Description	Fund	Amount
3400-001-001—Support	General	\$5,382,000
3400-001-044—Support	Motor Vehicle Account, State Transportation	33,980,000
3400-001-115—Support	Air Pollution Control	2,245,000
3400-001-140—Acid rain research	Environmental License Plate	1,200,000
3400-001-420—Biennial smog inspection program	Vehicle Inspection	501,000
3400-001-465—Cogeneration	Energy Resources Programs Account, General	173,000
3400-001-890—Miscellaneous support	Federal Trust	(2,615,000)
3400-101-044—Subventions to local air pollution control districts	Motor Vehicle Account State Transportation	7,011,000
Total		\$50,492,000

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

*Analysis
page*

1. Staff Reductions. Recommend that prior to budget hearings, the board (1) identify what positions and programs will be reduced in order to comply with the budget's unallocated reduction of 18.1 personnel-years of staff, and (2) describe the effects of these reductions on the board's activities. 424
2. *Stationary Source Related Activities. Reduce Item 3400-001-044 by \$2,330,000 and increase Item 3400-001-001 by an equal amount.* Recommend that the source of funding for new stationary source-related activities be shifted from the Motor Vehicle Account (MVA) to the General Fund. Also recommend that the ARB identify prior to budget hearings the amount requested from the MVA to support existing activities that are primarily related to stationary sources of pollution. 424
3. *Biennial Inspection Program. Reduce Item 3400-001-044 by \$1,885,000, delete Item 3400-001-420 (\$501,000) and increase* 427

reimbursements scheduled in Item 3400-001-001 by \$2,386,000. Recommend that (1) funding for all activities related to the biennial inspection program be appropriated from the Vehicle Inspection Fund (VIF) and (2) appropriations to support the ARB's activities in connection with this program be made to the Bureau of Automotive Repair (as the lead agency) and scheduled as reimbursements in the ARB's budget.

4. *More Costly to Contract. Reduce Item 3400-001-001 by \$77,000 and Item 3400-001-044 by \$308,000, and establish 6.5 limited term positions.* Recommend reduction to realize cost savings by performing the work in-house. 428
5. Equipment for Toxic Air Contaminant Program. Withhold recommendation on \$949,000 requested for equipment, pending receipt of information justifying the request. 429
6. Fuel Inspection Program. Withhold recommendation on \$345,000 requested for a mobile lab, pending receipt of information evaluating the alternative of using the Department of Food and Agriculture (DFA) labs to achieve the desired objective. Also recommend that the ARB report at budget hearings on the opportunity for increasing coordination between the DFA's and ARB's fuel inspection program. 430
7. Environmental Affairs Agency. Withhold recommendation on \$408,000 requested for support of the agency, pending receipt and review of the report that the Secretary of Environmental Affairs is required to submit on the need to reorganize the agency. 431

GENERAL PROGRAM STATEMENT

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

The board consists of a full-time chairperson and six part-time members, all of whom are appointed by the Governor and serve at his pleasure. The chairperson of the board also serves as the Governor's Secretary of Environmental Affairs, and as such has an advisory and coordinating role in the environmental area.

Most of the board's staff are located in Sacramento. Vehicle emission testing, vehicle certification, and air pollution laboratory work are conducted in El Monte. The board has 544.3 personnel-years of staff in the current year.

OVERVIEW OF THE BUDGET REQUEST

The budget proposes total appropriations of \$50,492,000 for support of the Air Resources Board in 1985-86. These appropriations would come primarily from the Motor Vehicle Account (MVA) in the State Transportation Fund and the General Fund. The requested amount represents an increase of \$5,524,000, or 12 percent, above estimated current-year expenditures from state funds. This increase will grow by the amount of any

AIR RESOURCES BOARD—Continued

salary or staff benefit increases that may be approved by the Legislature for the budget year.

The budget proposal does not include any funds for the estimated amount of General Fund merit salary increases in 1985-86 (\$36,000) or inflation adjustments for operating expenses and equipment (\$132,000). Presumably, these costs will be financed by diverting funds budgeted for other purposes.

In addition to the \$50,492,000 of state funds requested for 1985-86, the board proposes to spend \$2,615,000 in federal funds and \$611,000 from reimbursements, bringing total budget-year expenditures from all sources to \$53,718,000—an increase of \$5,439,000, or 11.3 percent, above the current-year level.

Table 1 summarizes the staffing and expenditures for the ARB during the period 1983-84 through 1985-86.

Table 1
Air Resources Board
Budget Summary
1983-84 through 1985-86
(dollars in thousands)

Program	Personnel-Years			Expenditures		
	Actual 1983-84	Estimated 1984-85	Proposed 1985-86	Actual 1983-84	Estimated 1984-85	Proposed 1985-86
Air Pollution Control Program						
Technical Support	67.2	65.8	65.9	\$4,688	\$5,561	\$6,736
Stationary Source	75.9	72.7	86.7	11,045	12,544	14,119
Mobile Source	58.3	61.7	65.5	16,448	4,624	5,445
Compliance	33.2	33.5	32.2	2,113	2,783	3,174
Research	39	46.3	45.9	6,894	10,205	10,972
Aerometric Data	64	68	65.7	5,203	6,248	6,428
Haagen-Smit Laboratory	88.9	88.1	85.2	5,042	5,892	6,582
General Support (Distributed to Other Programs)	100.1	101.6	98	(5,277)	(5,972)	(6,174)
General Support (Undistribut- ed)9	1	1	95	22	22
Environmental Affairs Agency	5.1	5.6	5.6	335	400	408
Unallocated General Fund Reduc- tion ^a	—	—	—	—	—	-168
Totals	532.6	544.3	551.7	\$51,863	\$48,279	\$53,718
Source of Funds						
General Fund	—	—	—	\$3,755	\$4,647	\$5,382
Motor Vehicle Account, State Transportation Fund	—	—	—	30,683	36,270	40,991
Vehicle Inspection Fund	—	—	—	11,828	244	501
Other Funds ^b	—	—	—	5,597	7,118	6,844

^a Deletes General Fund merit salary adjustments and inflation adjustments for operating expenses and equipment.

^b Includes Air Pollution Control Fund, California Environmental License Plate Fund, Energy Resources Programs Account—General Fund, Federal Trust Fund, and reimbursements.

Table 2 shows the proposed budget changes, by funding source, for the ARB in 1985-86. The table indicates that if the budget were enacted as proposed, support from the Motor Vehicle Account would increase by \$4,721,000. This represents 87 percent of the total increase in expenditures from all sources (\$5,439,000).

Table 2
Air Resources Board^a
Proposed Budget Changes
(dollars in thousands)

	General Fund	Motor Vehicle Account	Air Pollution Control Fund	Other Special Funds	Federal Funds	Reim- burse- ments	Total
1984-85 Expenditures (Revised)	\$4,647	\$36,270	\$3,640	\$411	\$2,606	\$705	\$48,279
A. Workload and Administrative Adjustments:							
1. One-time expenditures in 1984-85	—	—	-785	—	—	—	-785
2. Subventions to local districts	—	270	—	—	—	—	270
3. Miscellaneous (including inflation adjust- ments, merit salary increases and pro rata adjustments)	21	1,063	2	15 ^b	35	-88	1,048
B. Program Changes:							
1. Toxic air contaminant program (197PY)	478	2,084	244	—	—	—	2,806
2. Acid deposition program funding switch	—	—	-1,200	1,200 ^c	—	—	—
3. Reduction of excess emissions from mo- tor vehicles now in use (4.8PY)	—	458	—	—	—	—	458
4. Information resource management plan implementation	55	218	—	—	—	—	273
5. Fuels inspection program	—	—	345	—	—	—	345
6. Development of suggested control meas- ures	87	348	—	—	—	—	435
7. Upgrade emission inventory data and methods	70	280	—	—	—	—	350
8. Air quality modeling guidelines.....	25	100	—	—	—	—	125
9. Extramural research	54	216	—	—	—	—	270
10. Program efficiencies (-18.1PY)	-65	-356	-19	-2 ^c	-26	-6	-474
11. Minor changes	10	40	—	250 ^d	—	—	300
1985-86 Expenditures (Proposed)	\$5,382	\$40,991	\$2,245	\$1,874	\$2,615	\$611	\$53,718
Changes from 1984-85:							
Amount	735	4,721	-1,395	1,463	9	-94	5,439
Percent	16%	13%	-38%	356%	0.3%	-13%	11%

^a Includes support for Environmental Affairs Agency.

^b \$7,000 from the Vehicle Inspection Fund and \$8,000 from the Energy Resources Programs Account.

^c Environmental License Plate Fund.

^d Vehicle Inspection Fund.

ANALYSIS AND RECOMMENDATIONS

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

- **Acid Deposition.** The budget proposes a funding shift of \$1,200,000 from emission-based permit fees in the Air Pollution Control Fund to the Environmental License Plate Fund to partially finance the third year of the five-year acid deposition research program designed by the scientific advisory committee established pursuant to Ch 1473/82.

Permit fee revenues are expected to provide only \$800,000 in 1985-86, rather than the \$2 million needed. In 1984-85 the shortfall was covered by a surplus from the Air Pollution Control Fund. The \$4

AIR RESOURCES BOARD—Continued

million research program will continue to receive \$2 million from the Motor Vehicle Account.

- **Excess Emissions Program** (\$458,000). The budget requests an increase of \$458,000 and 4.8 personnel-years to develop and implement strategies that would reduce excess emissions from motor vehicles that are in use, but do not meet emission standards.
- **Information Resource Management Plan** (\$273,000). These funds would be used to develop an integrated computerized communications system. The number of work stations will increase by 300 and all stations will have access to the Teale Data Center.
- **Extramural Research** (\$270,000). These funds will be used to augment the board's extramural research program related to diesel vehicle emissions, toxic air contaminants, air pollution damage to forests and agricultural crops, health effects and air quality standards, ozone and inhalable particles.

Increased Efficiency, Reduced Specificity

We recommend that prior to budget hearings, the board report to the fiscal committees on (1) the positions and programs that are going to be reduced in order to comply with the budget's unallocated reduction of \$474,000 and 18.1 personnel-years, and (2) the effect of these reductions on the board's activities.

The budget proposes a reduction of \$474,000 and 18.1 personnel-years to reflect "increased efficiency, realignment of program responsibilities and elimination of low priority programs." The specific positions to be eliminated, however, have not been identified. Instead, the budget proposes to achieve these personnel reductions through increased salary savings, (that is, holding positions vacant) and reduced overtime. Without an identification of the positions to be cut and the programs to be affected, the Legislature has no way to evaluate this proposal. We therefore recommend, prior to budget hearings, that the board identify the positions and programs affected by the proposed reduction and specify the effects that these reductions will have.

Inappropriate Source of Funds for Stationary Source-Related Activities

We recommend that (1) Item 3400-001-044 (Motor Vehicle Account) be reduced by \$2,330,000 and (2) Item 3400-001-001 (General Fund) be increased by \$2,330,000, in order to use the appropriate funding source to support new or expanded activities which are not related to motor vehicles. We also recommend that the Air Resources Board report to the fiscal committees prior to budget hearings on the amount of funding from the Motor Vehicle Account that is being used to support other nonmotor-vehicle-related activities.

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

The ARB is requesting a total of \$40,991,000 from the MVA in 1985-86, an amount equal to 76 percent of the board's total state funding. This amount is \$4,721,000 more than the ARB received from the MVA in the current year. Our analysis indicates that \$2,330,000, or about half, of the proposed increase will be used for activities unrelated to motor vehicles or their environmental effects.

Table 3 lists the individual budget proposals for which the requested amount of MVA funding appears to exceed the amount needed to finance activities that are related to reducing air pollution from motor vehicles. The table shows, for each individual proposal, (1) the total requested increase and the portion requested from the MVA, (2) our estimate of the amount of MVA funds that are requested for nonvehicular purposes and (3) a revised funding split that shifts these nonvehicular costs to the General Fund.

For each proposal, except for the toxic air contaminant program, the General Fund provides the difference between the total dollars requested and the amount requested from the MVA. The toxic air contaminant proposal is requesting \$244,000 from the Air Pollution Control Fund and \$478,000 from the General Fund. We discuss each of these proposals in detail below.

Table 3
Air Resources Board
Requested Increases from Motor Vehicle Account (MVA)
For Nonvehicular Purposes
(dollars in thousands)

	<i>1985-86</i>		<i>MVA</i>	<i>Analyst's</i>	
	<i>Governor's</i>			<i>Recommended</i>	
	<i>Budget</i>		<i>Amount for</i>	<i>funding split</i>	
	<i>Total</i>	<i>Amount</i>		<i>Nonvehicular</i>	<i>MVA</i>
	<i>Requested</i>	<i>from</i>	<i>Purposes</i>		
	<i>Increase</i>	<i>MVA</i>			<i>Fund</i>
Toxic Air Contaminants program.....	\$2,806	\$2,084	\$1,737	\$347	\$2,215
Suggested Control Measures	435	348	348	—	435
Emissions Inventory	350	280	105	175	175
Air Quality Modeling.....	125	100	100	—	125
Solid Waste Disposal Site Emissions	50	40	40	—	50
Totals	<u>\$3,766</u>	<u>\$2,852</u>	<u>\$2,330</u>	<u>\$522</u>	<u>\$3,000</u>

Toxic Air Contaminant Program. The revised funding in Table 3 for the toxic air contaminant program is based on the nature of the substances that will be reviewed in 1985-86 as part of the process established in Ch 1047/83 (AB 1807). Chapter 1047 requires the ARB to implement a comprehensive program to identify and control toxic air contaminants in California. In 1985-86 the board expects to evaluate 6-8 toxic air contaminants in the identification phase and to develop control measures for 7 toxic air contaminants. According to the ARB, none of the substances that will be evaluated in the identification phase are produced by motor vehicles, and only two of the seven substances (29 percent) in the control phase—benzene and ethylene dibromide—are produced primarily (90 percent) by motor vehicles.

In 1985-86 the budget is proposing an increase of \$2,806,000, or 58 percent, over current-year expenditures for the toxic air contaminant program—\$1,477,000 for the identification phase and \$1,329,000 for the control phase. Based on the information provided by the department, we

AIR RESOURCES BOARD—Continued

estimate that only \$347,000 of the total requested increase (\$1,329,000 \times 29 percent \times 90 percent) should be funded by the MVA, rather than the \$2,084,000 proposed in the budget. The difference, \$1,737,000, should, instead, come from the General Fund. We were only able to determine the appropriate source of funds for the *increase* (\$2,806,000) requested for the toxic air contaminant program. At the time this analysis was prepared, we were unable to identify what portion of the existing funds (\$2,032,000) were being used to fund activities related to motor vehicle emissions.

Suggested Control Measures. The board requests an increase of \$435,000 (\$348,000 MVA and \$87,000 General Fund) in contract funds to develop suggested control measures for *stationary* sources of air pollution. Since none of the \$348,000 would be used to control motor vehicle emissions, the entire amount requested from the MVA should come from the General Fund.

Emissions Inventory. The board requests an increase of \$350,000 in contract funds (\$280,000 MVA and \$70,000 General Fund) to prepare four studies that will help it update and improve the quality of emission estimates and forecasts. Two studies, totaling \$175,000, involve emission inventories for stationary sources of air pollution. Therefore, the full amount requested for those studies should come from the General Fund, or \$105,000 more than the budgeted amount.

Air Quality Modeling Guidelines. The board requests \$125,000 (\$100,000 from the MVA, and \$25,000 from the General Fund) in contract funds to develop air quality modeling guidelines for use in evaluating proposed new stationary sources of air pollution in areas which do not meet federal air quality standards (nonattainment areas). Here, the entire \$100,000 requested from the MVA should, instead, come from the General Fund.

Solid Waste Disposal Site Emissions. Chapter 1532, Statutes of 1984 (AB 3525), requires the ARB to determine the nature, scope, and air quality impacts of emissions from solid waste disposal sites, in cooperation with the local air pollution control districts. The board is requesting \$50,000 for this program, divided between the MVA (\$40,000) and the General Fund (\$10,000). Solid waste disposal sites are stationary sources of air pollution. Therefore, the \$40,000 requested from the MVA should come from the General Fund.

MVA Funding of Ongoing Programs. It appears that the way in which the board is using MVA funds in its base budget is inappropriate, as well. For example, in 1985–86 the board is requesting \$11,944,000 from the MVA for its *Stationary Source Program*, and \$7,011,000 from the MVA for the *Air Pollution Control Subvention Program*. The subvention program provides funding to local air pollution control districts that are responsible for regulating *stationary* sources of air pollution.

The use of funds from the MVA for purposes that are not related to motor vehicles appears to be inconsistent with Article XIX of the California Constitution. In addition, this diversion of funds away from motor vehicle-related programs is a contributing factor to the deficit that is looming in the MVA. With these considerations in mind, we recommend that Item 3400-001-044 (Motor Vehicle Account) be reduced by \$2,330,000 and Item 3400-001-001 (General Fund) be increased by the same amount in order to fund proposed increases in stationary source-related programs from the appropriate source. We also recommend that the board report to the fiscal committees prior to budget hearings on the extent to which

it is using MVA funds within its base budget to support activities and programs that are unrelated to motor vehicle pollution. This report should identify the specific vehicle-related components of all programs funded from the MVA and the basis for determining the MVA's appropriate share of program costs.

Inappropriate Fund Source for Biennial Vehicle Inspection Program

We recommend that \$1,885,000 requested from the Motor Vehicle Account (MVA) and \$501,000 requested from the Vehicle Inspection Fund (VIF) for a special testing program and support activities related to the biennial inspection program be deleted, and that reimbursements be increased by \$2,386,000, in order to shift the source of funds for this program to the appropriate fund (the Vehicle Inspection Fund).

The ARB is requesting \$3,142,000 from the Motor Vehicle Account (MVA) for its vehicle testing program in 1985-86. Of the total requested, \$1,885,000 (or 60 percent) will be spent on vehicle testing related to the biennial inspection program. The budget also requests \$501,000 from the Vehicle Inspection Fund to (1) continue general support activities for the biennial inspection program (\$251,000) and (2) fund an evaluation of the biennial inspection program (\$250,000).

Chapter 892, Statutes of 1982 (SB 33), established a biennial vehicle inspection and maintenance program in all urban areas that do not comply with federal air quality standards. The Bureau of Automotive Repairs (BAR) within the Department of Consumer Affairs has been designated as the lead agency for implementation of the program. The ARB is responsible for establishing emission inspection standards and assisting the BAR in designing and evaluating the program on an ongoing basis.

Chapter 892 also established an independent review committee consisting of one representative from each of the air pollution control districts in which the motor vehicle inspection program has been implemented. The committee is required to report to the Legislature by March 1987 on the effect of the program on vehicle emissions and air quality.

The review committee has designed an 18-month vehicle testing program which will test 1,600 cars in the biennial inspection program in order to evaluate its operation and its effect on air quality. The ARB will perform the testing by deferring 60 percent of its ongoing vehicle emissions testing programs. These programs consist of: (1) testing new vehicles for compliance with the ARB's emission standards, (2) testing vehicles that are in use in order to develop an emissions inventory of the entire population of vehicles, (3) testing certain engine groups suspected of emission violations for enforcement of vehicle manufacturing and warranty requirements, and (4) special tests of methanol fleets, diesel vehicles and buses. The special testing program for the biennial inspection program will provide some information on emission reductions, but it is not designed to sample all engine types and, therefore, will not provide the information needed to develop an emission inventory of the vehicle population as a whole.

Although vehicle testing in connection with the evaluation of the biennial inspection program appears justified, the MVA is not the appropriate funding source for these tests. The biennial inspection program is intended to be self-supporting from fees deposited in the Vehicle Inspection Fund (Section 44060, Health and Safety Code). Consequently, the special testing program should be funded from the Vehicle Inspection Fund (VIF). In order to consolidate funding for the inspection program in a single place, we recommend that both the \$1,885,000 requested for vehicle

AIR RESOURCES BOARD—Continued

testing and the \$501,000 requested for other activities related to the biennial inspection program be appropriated from the VIF to the BAR and scheduled as a reimbursement in the board's budget. Shifting the source of funds for vehicle testing from the MVA to the VIF will not present a problem because the VIF is expected to have a surplus of \$20 million in 1985-86.

In sum, we recommend that (1) Item 3400-001-044 be reduced by \$1,885,000 and (2) Item 3400-001-420 be deleted, and (3) reimbursements scheduled in Item 3400-001-001 be increased by \$2,386,000. In our analysis of the Department of Consumer Affairs (please see p. 127), we recommend that the appropriation from the VIF be increased by \$2,386,000 to provide these funds.

More Costly to Contract

We recommend (1) a reduction of \$385,000 (\$77,000 in Item 3400-001-001 and \$308,000 in Item 3400-001-044) requested for contracts to develop air pollution control measures, and update emission inventory estimates and (2) establishment of 2.5 positions limited to December 31, 1986, and four positions limited to June 30, 1986, in order to realize savings from conducting the work in-house, rather than through contracts.

The budget requests \$435,000 (\$348,000 Motor Vehicle Account and \$87,000 from the General Fund) in contract funds to develop control measures for air pollution. The budget also requests \$350,000 (\$280,000 from the Motor Vehicle Account and \$70,000 from the General Fund) in contract funds to update and improve emission inventory estimates. The total request for these contract is \$785,000.

Suggested Control Measures Contract. The board's budget request to develop suggested control measures (SCMs) appears to address a *one-time* increase in workload. The board needs to develop eight additional control measures in order to comply with the federal Clean Air Act, which requires that federal air pollution standards be attained by 1987. The board expects to take nine months to complete the Request for Proposal process, issuing the final contract in March 1986. The contract work is expected to be completed nine months later (December 1986). The budget request for \$435,000 in contract funds is based on the cost of four professional positions at \$100,000 each, and one clerical position at \$35,000, for a period of nine months.

Our analysis indicates that the work sought by the board can be done in-house for \$138,000—\$297,000 less than the amount requested. By hiring half the positions (two professional and one half-time clerical) the work will take 18 months, instead of nine months, but if the work is begun in July 1985 it can be completed by December 1986. (It would take nine months to process the contract, under the budget's proposal.) The cost per position would be considerably less if the work is done in-house rather than through a contract.

In order to realize these savings, we recommend (1) establishment of 2.5 positions limited to December 31, 1986, and (2) a reduction of \$297,000 in the amount budgeted (\$59,000 in Item 3400-001-001 and \$238,000 in Item 3400-001-044).

Emissions Inventory Contract. The board's budget request for contract funds to update and improve emission inventory estimates would support the following activities: (1) developing emission estimation meth-

ods for stationary sources, (2) updating the motor vehicle emission inventory and forecasts, (3) developing methods and procedures to update stationary source emission growth factors, and (4) updating the inventory of fine-particle emissions. The board proposes to contract out this work, at a cost of \$350,000, because its existing staff has a full workload and cannot take on the additional work.

Our analysis indicates that the work can be done at less cost to the state by hiring staff rather than contracting out the work. According to the board, it would take four professional positions and a half-time clerical position to do the work in-house. This would cost \$262,000—\$88,000 less than the cost of the proposed contract. To realize these savings, we recommend a reduction of \$88,000 in the amount budgeted (\$18,000 from Item 3400-001-001 and \$70,000 from Item 3400-001-044). The term of the 4.5 positions should be limited to June 1986 because it is not clear whether the additional workload is permanent.

Equipment for the Toxic Air Contaminant Program Not Justified

We withhold recommendation on \$949,000 requested for equipment to be used by the toxic air contaminant program, pending receipt of information which specifically addresses: (1) how the equipment will be used, (2) what program activities and workload the equipment will support, (3) why existing equipment cannot be used, and (4) whether equipment at other agencies could be used for this purpose by the ARB.

The budget requests \$949,000 in 1985–86 for equipment related to the toxic air contaminant program. This amount consists of \$161,000 from the General Fund, \$703,000 from the MVA, and the \$85,000 from the Air Pollution Control Fund. The equipment request includes 15 separate proposals.

The ARB has not provided the Legislature with sufficient information to justify its request for equipment. In general, the equipment proposals do not specifically address: (1) how the equipment will be used, (2) what program activities and workload the equipment will support, (3) why existing ARB equipment cannot be used, and (4) whether equipment belonging to other agencies, such as the Department of Food and Agriculture (DFA), could be used in order to avoid the need for new equipment.

In one of the equipment proposals, for example, the board is requesting \$267,000 for monitoring equipment to measure air emission levels from various pesticides that are being investigated by the DFA. The DFA is required by Chapter 1047, Statutes of 1983 (AB 1807), to evaluate airborne emissions of pesticides which may cause an unacceptable risk to public health. The board is required to assist DFA, upon request, by documenting the level of airborne emissions from the pesticides. The board's budget change proposal does not discuss any alternatives to outright purchase of the equipment, even though the DFA has equipment identical or very similar to what the board is requesting.

Without a specific justification for the equipment requested, the Legislature has no way of knowing if the equipment is needed or if the amount requested is reasonable. Accordingly, we withhold recommendation on the \$949,000 (\$161,000 in Item 3400-001-001, \$703,000 in Item 3400-001-044, and \$85,000 in Item 3400-001-115), pending receipt of information specifically justifying this request.

AIR RESOURCES BOARD—Continued**Two State Fuel Inspection Programs Should be Coordinated**

We withhold recommendation on \$345,000 requested from the Air Pollution Control Fund for a fuel inspection mobile lab, pending receipt of information evaluating the alternative of using the Department of Food and Agriculture's (DFA) laboratories. We recommend that the board report at budget hearings on whether coordination between the DFA's and the board's fuel inspection programs can be increased.

The budget requests \$345,000 from the Air Pollution Control Fund to purchase a van and laboratory equipment to create a mobile lab for ARB's fuel inspection program. The board's fuel inspection program is designed to enforce state regulations which specify the allowable level in gasoline and diesel fuel of lead, sulfur, manganese, phosphorus, alcohol, Reid Vapor Pressure (RVP), and bromine number. Fuel samples are collected at refineries, bulk terminals, and service stations throughout the state. Samples are then sent to the Air and Industrial Hygiene Laboratory in Berkeley or the board's El Monte Laboratory. The El Monte Laboratory, however, only has the capability to measure RVP.

According to the ARB, the sample results sometimes are not available for two to three weeks, because of the time required to do the lab analysis, and the time involved in transporting samples to the labs. As a result, by the time a violation is confirmed, the fuel usually has been sold and thus air pollution from the illegal fuel cannot be prevented. The mobile lab would reduce the amount of illegal fuel being sold by providing sample results within one day, thereby preventing additional air pollution.

Although the time to obtain sample results does appear excessive the board has not examined the available alternatives. For example, the board has not evaluated the possibility of using the Department of Food and Agriculture's (DFA) laboratories in Anaheim and Sacramento. The DFA also conducts tests on fuel samples and has some of the equipment needed to satisfy the ARB's program requirements. The cost to equip and staff DFA's existing labs to handle the ARB samples may be less than the cost of the mobile lab and its staff, and the DFA labs may be able to provide sample results with little delay.

In fact, it is possible that the two departments could coordinate their entire fuel inspection programs. The DFA's fuel inspection program is concerned with the quality of the fuel as it relates to engine operation, rather than air quality. Even so, both programs sample gasoline and diesel fuel at service stations and other locations and test for many of the same substances. The two programs might be able to use one group of inspectors to collect samples for joint use, thereby reducing state costs through the elimination of duplication. In addition, joint inspection and laboratory work would facilitate sharing information in order to increase the effectiveness of both programs.

Without information on the alternatives to a mobile lab, the Legislature has no way of knowing if developing a mobile lab is the most cost effective method for solving the problem of delays in analyzing fuel samples. We, therefore, withhold recommendation on \$345,000 requested in Item 3400-001-115, pending receipt of information from the ARB examining the alternative of using DFA's laboratories to decrease turnaround time for sample results. We also recommend that the board report at budget hearings on the relationship between the DFA's and the ARB's fuel inspection

programs and whether these programs can be coordinated or jointly operated.

Environmental Affairs Agency

The proposed budget for the Air Resources Board (ARB) includes \$408,000 for support of the Environmental Affairs Agency (EAA) (\$263,000 from the General Fund and \$145,000 from the Motor Vehicle Account). This is an increase of \$8,000, or 2 percent, over estimated current-year expenditures of \$400,000. The budget proposes to maintain staffing for the agency at the current-year level—5.6 personnel-years. This does not include the Secretary of Environmental Affairs, who is separately funded as Chairperson of the ARB.

Because the EAA is not authorized by statute, the agency's budget is included within the budget of the ARB.

Existing law assigns to the chairperson of the Air Resources Board an advisory and coordinating role in the environmental area. Specifically, Ch 982/81, designates the chairperson as the "principal advisor to the Governor on . . . major policy and program matters on environmental protection." It further states that, "the chairperson shall also serve as the principal communications link for the effective transmission of policy problems and discussions to the Governor relating to the activities of the State Water Resources Control Board and the State Solid Waste Management Board, in addition to serving as the Governor's chief air quality policy spokesperson."

Although all three environmental boards legally are part of the Resources Agency, and thus subject to the authority of the Secretary of Resources, in practice they report directly to the chairperson (in his capacity as Secretary of Environmental Affairs) who exercises direct budget and policy authority over them. In addition, the Governor has directed that the chairperson serve as (1) chair of the Hazardous Substances Task Force and (2) chief policy coordinator regarding the state's role in the planning, permitting, and review of the offshore oil projects.

Report on Agency Continuation Expected

We defer recommendation on \$408,000 for support of the Environmental Affairs Agency (EAA), pending receipt and analysis of the Secretary's report on the continuation of the agency.

The Supplemental Report to the 1984 Budget Act directed the Secretary of Environmental Affairs to report by January 15, 1985, on:

- The need and justification for continuing the EAA.
- A precise description of the agency's responsibilities and relationships to other agencies and departments.
- Either a plan for transferring these responsibilities to other agencies and departments by July 1, 1985, or a proposal for legislation to establish an EAA.

At the time this analysis was written, the report had not been released. Furthermore, the agency's 1985-86 budget request does not reflect any changes in the agency's organization, responsibilities, or funding.

Until we have received the Secretary's report and analyzed it, a recommendation would be premature. We therefore withhold recommendation on the agency's funding request of \$263,000 in Item 3400-001-001 and \$145,000 in Item 3400-001-044, pending review of the Secretary's report.

**Resources Agency
COLORADO RIVER BOARD**

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

Budget p. R 39

Requested 1985-86	\$227,000
Estimated 1984-85	235,000
Actual 1983-84	189,000
Requested decrease (excluding amount for salary increases) \$8,000 (-3 percent)	
Total recommended reduction	None

1985-86 FUNDING BY ITEM AND SOURCE

Item—Description	Fund	Amount
3460-001-001—Support	General	\$217,000
3460-001-140—Salinity control	Environmental License Plate	10,000
Total		<u>\$227,000</u>

GENERAL PROGRAM STATEMENT

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

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

The six water agencies listed above support approximately two-thirds of the board's budget and the state provides the remainder. The board is located in Los Angeles and has 11.1 authorized positions.

OVERVIEW OF THE BUDGET REQUEST

The Governor's Budget proposes two appropriations totaling \$227,000 for support of the Colorado River Board in 1985-86, consisting of \$217,000 from the General Fund and \$10,000 from the Environmental License Plate Fund. This amount is \$8,000, or 3.4 percent, less than estimated current-year expenditures of state funds. Expenditures, however, will increase by the amount of any salary or staff benefit increases approved for the budget year.

The total 1985-86 budget proposed for the board from all funds is \$678,000. This amount consists of the requested state operations appropriation

of \$227,000 (33 percent) and \$451,000 (67 percent) in reimbursements from the six water agencies.

ANALYSIS AND RECOMMENDATIONS

We recommend approval.

The proposed reduction in expenditures between 1984-85 and 1985-86 reflects the termination of a limited-term position at the end of 1984-85. Our analysis indicates that the budget request for the board in 1985-86 is reasonable.

**Resources Agency
DEPARTMENT OF CONSERVATION**

Item 3480 from the General
Fund and various other funds

Budget p. R 41

Requested 1985-86	\$15,649,000
Estimated 1984-85.....	16,073,000
Actual 1983-84	13,489,000
Requested decrease (excluding amount for salary increases) \$424,000 (-2.6 percent)	
Total recommended reduction	148,000

1985-86 FUNDING BY ITEM AND SOURCE

Item—Description	Fund	Amount
3480-001-001—Support	General	\$12,074,000
3480-001-035—Surface mining and reclamation program	Surface Mining and Reclamation Account, General	1,100,000
3480-001-042—California Institute of Technology Seismograph Network	State Highway Account, State Transportation	12,000
3480-001-140—Mineral resource analysis	California Environmental License Plate	120,000
3480-001-144—California Institute of Technology Seismograph Network	California Water	12,000
3480-001-398—Strong-motion instrumentation	Strong Motion Instrumentation Program	1,733,000
3480-001-472—Farmlands mapping	Farmlands Mapping Account, General	598,000
3480-001-890—Environmental analysis of water injection in oil and gas fields	Federal Trust	(787,000)
Total		\$15,649,000

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

*Analysis
page*

1. **Overbudgeting for Farmlands Mapping Program. Reduce Item 3480-001-472 by \$148,000.** Reduce funds requested for farmlands mapping program because existing law limits the amount available in the Farmlands Mapping Account for this program.

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DEPARTMENT OF CONSERVATION—Continued

GENERAL PROGRAM STATEMENT

The Department of Conservation consists of two divisions and a special program unit within the Director's office.

The Division of Mines and Geology functions as the state's geologic agent. Under the direction of the State Geologist, the division conducts a strong-motion instrumentation program to measure the large-scale destructive motion of earthquakes. It is also responsible for classifying designated urban and other lands according to their mineral content. Policy direction is given to this division by the state Mining and Geology Board, whose members are appointed by the Governor.

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

The Special Services for Resource Protection Unit administers (1) the open-space subvention program (Williamson Act), (2) a farmland mapping and monitoring program, and (3) soil resource information activities.

The department has 317.8 personnel-years of staff in the current year.

OVERVIEW OF THE BUDGET REQUEST

The budget proposes appropriations totaling \$15,649,000 from the General Fund and other state funds for support of the Department of Conservation in 1985-86. This amount is \$424,000, or 2.6 percent, less than estimated expenditures from state funds in the current year. This reduction, however, probably will be more than offset by the amount of any salary or staff benefit increases approved for 1985-86.

Table 1
Department of Conservation
Budget Summary
1983-84 through 1985-86
(dollars in thousands)

	Personnel-Years			Expenditures			Change	
	1984-85			1984-85			1985-86 over	
	1983-84 Actual	Esti- mated	1985-86 Proposed	1983-84 Actual	Esti- mated	1985-86 Proposed	Amount	Percent
Geological Hazards and Mineral Resources Conservation	122.8	123.5	119.5	\$6,495	\$7,289	\$6,584	-\$705	-9.7
Oil, Gas, and Geothermal Protection	100.6	108.6	106.1	4,344	6,304	6,062	-242	-3.8
Land Resource Protection	12.3	10.7	9.2	590	432	599	167	38.7
Administration	68.4	70.0	69.5	3,248	3,834	3,875	41	1.1
Unallocated reduction for merit salary adjustments and operating expenses	—	—	—	—	—	-203	-203	NA
Totals	304.1	317.8	304.3	\$14,677	\$17,859	\$16,917	-\$942	-5.3
<i>Sources of Funds</i>								
General Fund	—	—	—	9,864	12,376	12,074	-302	-2.4
Surface Mining and Reclamation Account	—	—	—	1,278	1,526	1,100	-426	-27.9
Strong Motion Instrumentation Program	—	—	—	1,287	1,697	1,733	36	2.1
Farmlands Mapping Account	—	—	—	—	450	598	148	32.9
Environmental License Plate Fund	—	—	—	357	—	120	120	NA
Other State Funds	—	—	—	703	24	24	—	—
Federal Trust Fund	—	—	—	279	1,060	787	-273	-25.8
Reimbursements	—	—	—	909	726	481	-245	-33.7

The budget proposal does not include any funds for the estimated amount of merit salary increases (\$65,000 in 1985-86) or inflation adjustments for operating expenses and equipment (\$138,000). Presumably, these costs will be financed by diverting funds budgeted for other purposes.

Table 1 summarizes expenditures and sources of funds for the Department of Conservation since 1983-84.

The department estimates that it will spend \$16,917,000 from all sources in 1985-86, including \$787,000 from federal funds and \$481,000 in reimbursements. This amount is \$942,000, or 5.3 percent, less than total estimated expenditures by the department in 1984-85.

Finally, the budget proposes a total of 304.3 personnel-years in 1985-86—a reduction of 13.5 personnel-years from the current-year level.

Significant Budget Changes

Table 2 summarizes the significant program and other changes, by funding source, proposed for 1985-86.

Table 2
Department of Conservation
Proposed Budget Changes, by Funding Source
 (dollars in thousands)

	General Fund	Other State Funds	Federal Trust Fund	Reim- burse- ments	Totals
1984-85 Expenditures (revised).....	\$12,376	\$3,697	\$1,060	\$726	\$17,859
Significant Program Changes					
1. Expand farmland mapping program.....	—	148 ^a	—	—	148
2. Shift funding for geothermal exploration project review.....	70	—	—	-162	-92
3. Contract support for minerals program ..	—	120 ^b	—	—	120
4. Reduction in SMARA ^c Program.....	—	-426 ^d	—	—	-426 ^d
5. Reductions for administrative efficiencies (-15.5 PY).....	-241	—	-231	-87	-559
6. Other minor program changes (+ 2 PY)	84	—	-42	—	42
Workload and Administrative Adjustments					
1. Reduction of one-time projects.....	-244	—	—	—	-244
2. Other Adjustments.....	29	36 ^e	—	4	69
1985-86 Expenditures (Proposed).....	\$12,074	\$3,575	\$787	\$481	\$16,917
Changes from 1984-85:					
Amount.....	-302	-122	-273	-245	-942
Percent.....	-2.4%	-3.3%	-25.8%	-33.7%	-5.3%

^a Farmlands Mapping Account, General Fund.

^b Environmental License Plate Fund

^c Surface Mining and Reclamation Act (SMARA)

^d Surface Mining and Reclamation Account, General Fund

^e Strong Motion Instrumentation Fund

ANALYSIS AND RECOMMENDATIONS

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

- **Shift Funding for Well Inspections.** The budget reflects a \$92,000 reduction in funding for inspection of geothermal wells, consisting of

DEPARTMENT OF CONSERVATION—Continued

- (1) the elimination of \$162,000 in reimbursements, and (2) an increase of \$70,000 in General Fund costs, which will be offset by increases of \$70,000 in well fees to be deposited in the General Fund.
- **Contract for Student Assistants.** The budget requests an increase of \$120,000 from the Environmental License Plate Fund to fund a contract for student assistants in the minerals deposit inventory program;
 - **SMARA Funding Cap.** The budget proposes a reduction of \$426,000 (from \$1,526,000 to \$1,100,000) in the State Mining and Reclamation Act Program, because of limited revenue in the State Mining and Reclamation Account, which supports the program.
 - **Administrative Efficiencies.** The budget reflects the elimination of 15.5 personnel-years (PY) and \$559,000 from various funds as a result of "administrative efficiencies". Among the reductions are 3.5 PY from the federally funded underground water-injection control program (partially offset, however, by a requested increase of 2 PY to the same program) for a microfilming project to be replaced with contract services and 4.5 PYs due to increased salary savings.

Increased Expenditures in Farmland Mapping

We recommend a reduction of \$148,000 from the \$598,000 requested from the Farmlands Mapping Account because the existing law limits funds in the account to \$450,000 (Reduce Item 3480-001-472 by \$148,000).

The budget requests \$598,000 from the Farmlands Mapping Account in the General Fund for the department's farmland mapping program. The account receives a portion of the Williamson Act cancellation fee revenues. This \$598,000 consists of (1) \$450,000 to maintain and update existing farmland maps, and (2) \$148,000 for a one-time project to expedite the development of farmland maps for the counties of Butte, Colusa, Yuba, and Kern Counties. The department expects to spend \$450,000 from the Farmlands Mapping Account in 1984-85 for its mapping program.

Section 51283 of the Public Resources Code limits the amount of funds in the Farmland Mapping Account to \$450,000 for any year. The request for \$598,000 from the Farmlands Mapping Account, therefore, is \$148,000 more than the amount contained in the account. Accordingly, we recommend a reduction of the \$148,000 to make the budget consistent with existing law.

Resources Agency
DEPARTMENT OF FORESTRY

Item 3540 from the General
Fund and various funds

Budget p. R 51

Requested 1985-86	\$178,238,000
Estimated 1984-85	169,523,000
Actual 1983-84	138,623,000
Requested increase (excluding amount for salary increases) \$8,715,000 (+5.1 percent)	
Total recommended reduction	3,427,000
Recommendation pending	1,314,000

1985-86 FUNDING BY ITEM AND SOURCE

Item—Description	Fund	Amount
3540-001-001—Primary Support	General	\$168,136,000
3540-001-140—Forest practices, vegetation management	Environmental License Plate	3,761,000
3540-001-300—Board of Forestry, registration of foresters	Professional Foresters Registration Fund	109,000
3540-001-890—Support	Federal Trust	(2,410,000)
3540-001-925—California forest improvement program, forest practices	Forest Resources Improvement	5,305,000
3540-001-940—Watershed mapping, soil erosion studies, timber harvest plan review	Renewable Resources Investment	905,000
3540-001-965—Administration of timber yield tax	Timber Tax	22,000
3540-001-928—Transfer to General Fund for cost of state forest system	Forest Resources Improvement	(1,467,000)
Total		\$178,238,000

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

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|---|--------------------------|
| 1. SRA Boundary Review. Recommend the department report at budget hearings on the criteria it will use in conducting a review of state responsibility area (SRA) lands during 1985-86. | 444 |
| 2. Fire Lookout Staff Reduction. Withhold recommendation on request for \$1,314,000 in contract funds to operate fire lookouts, pending (a) clarification of the proposal, and (b) a demonstration of the feasibility and cost effectiveness of contracting as a substitute for 58.2 person-years of staff. | 445 |
| 3. <i>Air Attack Costs. Reduce Item 3540-001-001 by \$232,000.</i> Recommend reduction in funds requested for air attack program to reflect the savings that can be realized by using more cost-effective aircraft. | 446 |
| 4. Helicopter Lease Expiration. Recommend (a) Legislature approve a joint resolution requesting the U.S. Congress to delete provisions from the federal Defense Appropriations Act which preclude CDF from renewing a master lease covering its fleet of 12 U.S. Air Force helicopters scheduled to expire in 1985-86 and (b) the department report during budget hearings on what steps it is taking to renew this lease | 447 |

DEPARTMENT OF FORESTRY—Continued

- and on the amount of additional funds that will be required if the lease cannot be renewed.
5. ***"Smokey and the Pros". Reduce Item 3540-001-001 by \$100,000.*** 448
Recommend reduction in funds requested for this project because it is being funded in the current year, and thus no augmentation is needed to continue it.
 6. ***Sonoma County Contract Cancellation. Reduce Item 3540-001-001 by \$224,000.*** 449
Recommend reduction because the state will no longer be providing services to the county, and thus it will not incur the costs that the \$224,000 would be used to support.
 7. ***Amador Plan Reimbursements. Reduce Item 3540-001-001 by \$477,000 and increase reimbursements by same amount.*** 449
Recommend reduction to reflect the provisions of Ch 1220/84.
 8. ***Joint Apprenticeship Program. Reduce Item 3540-001-001 by \$2,424,000 and increase reimbursements by \$1,985,000.*** 450
Recommend reduction to (1) delete \$439,000 requested for payment to the California Fire Fighter Joint Apprenticeship Committee because the need for these funds has not been explained and (2) require local agencies to finance their proportionate share of the added costs for year-round operation of Fire Academy and new Joint Apprenticeship Program (\$1,985,000).
 9. ***Schedule A Program Salary Costs. Recommend \$2,832,000 increase in schedule of reimbursements to correct a budgeting error.*** 452

GENERAL PROGRAM STATEMENT

The Department of Forestry (CDF) provides fire protection services directly or through contracts for approximately 31.2 million acres of privately owned timber, range, and brushland in California. In addition, CDF provides fire protection to approximately 3.6 million acres of federal land under contracts with the U.S. Forest Service, the Bureau of Land Management (BLM), and other federal agencies. It also contracts with 31 counties to provide fire protection services in 38 areas for which local governments are responsible. In addition, the department (1) operates 34 conservation camps, (2) regulates timber harvesting on private forestland, (3) provides advisory and financial assistance to landowners on forest and range management, (4) regulates and conducts controlled burning of brushlands, (5) manages seven state forests, and (6) operates three tree nurseries.

The nine-member Board of Forestry provides policy guidance to the department. It establishes forest practice rules and designates which private wildlands are state responsibility lands for fire protection purposes. The members of the board are appointed by the Governor. The department has 3,814 personnel-years of staff in 1984-85.

OVERVIEW OF THE BUDGET REQUEST

The budget requests \$178,238,000 from the General Fund and various other state funds for support of the California Department of Forestry (CDF) in 1985-86. This is an increase of \$8,715,000, or 5.1 percent, above estimated current-year expenditures from state funds (adjusted to eliminate estimated emergency fire suppression costs of \$5 million in 1984-85).

This increase will grow by the amount of any salary or staff benefit increases approved for the budget year.

Funding Sources

The budget proposes total expenditures from all sources of \$233,191,000 for support of the department during 1985-86. This amount is \$3,127,000, or 1.4 percent, more than the current-year estimate of total expenditures for the current year. The sources of funds for these proposed 1985-86 expenditures are as follows:

1. State funds (Items 3540-001-001 through 3540-001-965) ..	\$178,238,000
2. Federal Trust Fund (Item 3540-001-890)	2,410,000
3. Reimbursements:	
(a) Local fire protection services provided to counties, cities, and special districts by CDF	40,894,000
(b) Conservation center instructors and camp support (Department of Corrections and California Youth Authority)	8,183,000
(c) Supervision and training of corpsmembers—(California Conservation Corps)	1,149,000
(d) Emergency fire assistance provided to federal agencies	839,000
(e) Payments by employees for subsistence, housing and other services provided by CDF	705,000
(f) Miscellaneous	773,000
Subtotal, Reimbursements.....	\$52,543,000
Total Funds.....	\$233,191,000

A direct comparison of year-to-year expenditures in the budget is misleading because expenditures in 1984-85 include an estimated deficiency appropriation of \$5 million for emergency fire suppression, in keeping with past budget practice. Proposed 1985-86 expenditures do not include any similar deficiency amount, although the department traditionally incurs emergency firefighting costs each year, which require a substantial deficiency appropriation. Excluding the \$5 million emergency deficiency in 1984-85 makes spending for the two years comparable. On this basis, total expenditures will increase by \$3,127,000, or 3.6 percent, in 1985-86. This increase results from an increase of \$9,563,000 (or 6 percent) in General Fund support partially offset by a net reduction of \$1,436,000 from other funds.

Expenditures By Program

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

Proposed Deficiencies and Current-Year Adjustments

Estimated expenditures for the current year include major deficiencies that will require an appropriation making an additional \$12,457,000 available for expenditure, including \$11,077,000 from the General Fund and \$1,380,000 from other funds during the current-year. Of the total amount, \$7,109,000 is for nonfire-related costs which will continue during 1985-86. In late January, the Department of Finance notified the Joint Legislative Budget Committee and the fiscal committees in writing of these deficiencies as is required by Section 27 of the 1984 Budget Act. Presumably, the Department of Forestry will provide justification for the unfunded expenditures when the deficiency appropriation is considered. If the amount approved by the Legislature differs from the amount proposed in the budget, an adjustment to the 1985-86 budget also may be warranted.

DEPARTMENT OF FORESTRY—Continued

Table 1
Department of Forestry
Budget Summary
1983-84 through 1985-86
(dollars in thousands)

Program	Personnel-Years			Expenditures		
	Actual 1983-84	Authorized 1984-85	Proposed 1985-86	Actual 1983-84	Estimated 1984-85	Proposed 1985-86
Wildland fire protection and prevention—operations.....	2,024.1	1,923.4	1,812.4	\$103,555	\$130,080	\$136,171
Local fire protection (Schedule A) ...	893.5	913	967.5	35,113	38,966	41,034
Conservation camps	387.3	456	541.2	20,660	27,462	27,593
Emergency fire suppression	NA	NA	NA	12,358	10,000	5,000
Forest practice regulation.....	73.7	73.7	73.7	5,371	5,551	5,843
Other resource management programs ^a	166.8	167.9	166	15,570	18,187	17,550
Administration (distributed to other programs)	289	280.3	296.3	(12,224)	(18,111)	(20,934)
Totals	3,834.4	3,814.3	3,857.1	\$192,627	\$230,064	\$233,191
<i>Funding sources</i>						
General Fund.....	—	—	—	\$137,701	\$163,593	\$168,136
Special funds.....	—	—	—	8,280	10,950	10,102
Federal funds.....	—	—	—	2,650	3,321	2,410
Reimbursements	—	—	—	43,996	52,220	52,543

^a Includes vegetation (chaparral) management program, California Forest Improvement Program, state forest and nursery operations.

Part of the increase in current-year expenditures (\$2.7 million) reflects an expansion of the department's conservation camps financed through reimbursements from the California Department of Corrections (CDC) and the California Youth Authority (CYA).

Proposed Budget Changes for 1985-86

Table 2 summarizes proposed budget changes for 1985-86, by funding source.

Administration Task Force Reviewing CDF Operations and Fiscal Management Systems

According to the budget document, the Department of Finance has identified inadequacies in the CDF fiscal management systems which have "caused difficulties in the department's management decision process because of incomplete and inaccurate fiscal information." As a first step toward improving CDF's fiscal management capability, the Department of Finance—with assistance from CDF staff—has established a task force which currently is conducting an in-depth review of CDF operations. The results of this review are expected during the spring of 1985.

We are advised that, based on the review's findings, the proposed budget for CDF in 1985-86 may be revised significantly. Any necessary adjustments to the CDF budget will be presented to the Legislature this spring, in the form of a budget change letter.

Table 2
Department of Forestry
Proposed Budget Changes, by Fund
1985-86
(dollars in thousands)

	Environmental			Federal Funds	Reimburse- ments	Totals
	General Fund	License Plate Fund	Other Special Funds ^a			
1984-85 Expenditures (Revised).....	\$163,573	\$3,536	\$7,414	\$3,321	\$52,220	\$230,064
1. Workload and Administrative Adjustments						
a. Continued funding for proposed nonfire 1984-85 deficiencies.....	(\$6,096)	(\$16)	(\$72)	(—)	(\$925)	(\$7,109)
b. Current-year emergency fire costs	-5,000	—	—	—	—	-5,000
c. Current-year airtanker replacement costs (one-time).....	-274	—	—	—	—	-274
d. Forest Improvement Program—reduction in funds available for grants.....	—	—	-1,124	—	—	-1,124
e. Schedule A salary increase not reflected in budget	—	—	—	—	-2,832	-2,832
f. CYA Conservation Camp funding shift	999	—	—	—	-732	267
g. CAMP program.....	—	—	—	-800	—	-800
h. Inflation adjustment to operating expenses.....	1,427	61	365	33	—	1,886
i. Merit salary adjustment (MSA) ..	684	16	15	2	—	717
j. Helicopter maintenance rate increase	153	—	—	—	—	153
k. Miscellaneous minor changes	542	148	-376	-159	-448	-293
2. Significant Program Changes						
a. Mobile equipment	2,128	—	—	—	—	2,128
b. Joint apprenticeship program	1,759	—	—	—	—	1,759
c. Management services staff (+17 PYs)	598	—	47	13	242	900
d. Dispatching equipment and communications	525	—	—	—	—	525
e. Contract county fire protection	428	—	—	—	—	428
f. Photo surveillance equipment	270	—	—	—	—	270
g. State funding of Sonoma County dispatch.....	224	—	—	—	—	224
h. Smokey and the Pros—fire prevention	100	—	—	—	—	100
i. Local government fire protection contracts (54.5 PYs)	—	—	—	—	4,093	4,093
j. Contract for lookout operations (-58.2 PYs)	(1,320)	—	—	—	—	(1,320)
k. Seasonal firefighter overtime and other personnel reductions (-38 PYs)	(862)	—	—	—	—	(862)
1985-86 Expenditures (Proposed)	\$168,136	\$3,761	\$6,341	\$2,410	\$52,543	\$233,191
Change from 1984-85:						
Amount	\$4,563	\$225	-\$1,073	-\$911	\$323	\$3,127
Percent	(2.8%)	(6.4%)	(-14.5%)	(-27.4%)	(1%)	(1.4%)

^a Forest Resources Improvement Fund, Renewable Resources Investment Fund, Professional Foresters Registration Fund, and Timber Tax Fund.

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

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

Workload and Administrative Adjustments

- Deletion of \$274,000 provided from the General Fund in the current year on a one-time basis for the purpose of financing contract costs associated with modification of two S-2 aircraft being leased from the U.S. Navy for the department's airtanker fleet.
- A reduction of \$1,124,000 from the Forest Resources Improvement Fund currently used for rural reforestation grants under the California Forest Improvement Program (CFIP), due to a reduction in fund revenue.
- A General Fund increase of \$999,000 and a \$732,000 decrease in reimbursements, so that the operation of several conservation camps is reflected within the CDF's budget, rather than in the CYA's.
- Deletion of \$800,000 in one-time federal funds received during the current year to provide helicopter services for the Campaign Against Marijuana Planting (CAMP), under the supervision of the state Department of Justice.
- An increase of \$2,603,000 from various sources for merit salary adjustments (\$717,000) and an inflation adjustment to ongoing operating expenses (\$1,886,000).
- A General Fund increase of \$153,000, due to increases in the cost of contract maintenance for CDF's fleet of 12 UH-1 helicopters.

Significant Program Changes

- An increase of \$2,128,000 from the General Fund for additional mobile equipment costs, consisting of \$330,000 for procurement and related services provided by the Department of General Services, \$600,000 for vehicle modifications, and \$1,198,000 for acquisitions.
- An increase of \$900,000 from various funds (including \$598,000 from the General Fund) for 17.1 new personnel-years (PYs) to provide management services.
- A General Fund increase of \$525,000 for installation and maintenance of communications equipment and upgrade of the CDF radio dispatching system.
- An increase of \$428,000 from the General Fund for wildland fire protection provided on behalf of the state by the 6 contract counties. The increase will cover costs incurred by the counties for fire station construction, maintenance and repair.
- A General Fund increase of \$270,000 to upgrade photo surveillance equipment used in CDF arson investigations.
- An increase of 54.5 PYs due to work load adjustments in CDF's local-government contract fire protection program (Schedule A). The cost of these increases for staff and related expenses (\$4,093,000) will be financed entirely by reimbursements received from the contracting local governments.
- A reduction of 38 PYs of staff due to "program adjustments" in fire control operations and providing cash overtime (rather than time off) to seasonal employees.

FIRE PROTECTION PROGRAM

The department's primary function is providing fire protection. The Fire Protection Program includes protection of the state responsibility area, fire protection for local governments on a reimbursement basis, and protection for federal lands—also on a reimbursement basis.

For 1985-86, the budget requests \$209,798,000 and 3,321.1 personnel-years for the fire protection program, an increase of 2 percent from the current year. These amounts constitute 90 percent of the total funds and 86 percent of the total staff requested by the department.

State Responsibility Area (SRA). The CDF is responsible for providing fire protection to forests, watershed areas and rangeland that have been designated as a State Responsibility Area (SRA) by the State Board of Forestry. The SRA currently encompasses 35.7 million acres. It includes private lands, but excludes federal lands and lands within incorporated cities. The General Fund pays for fire protection in the SRA.

As shown in Table 3, CDF provides *direct* protection to about 76 percent of the SRA acreage. Six counties (Marin, Kern, Santa Barbara, Ventura, Los Angeles, and Orange) provide fire protection to SRA lands within their boundaries, under contracts with CDF. Federal agencies, primarily the U.S. Forest Service (USFS), also protect SRA lands that are located within or adjacent to federal lands.

Table 3
Department of Forestry
Fire Protection for
State Responsibility Area (SRA) Lands

	Acres	Cost
1. Protection provided directly by CDF	27,088,403	\$138,494,000
2. Protection provided by counties (reimbursed)	4,093,438	13,179,000
3. Protection provided by U.S. Forest Service and other federal agencies (reimbursed)	4,564,283	4,198,000
Totals	35,746,124	\$155,871,000

Local Government Contract Fire Protection. The CDF also provides fire protection and paramedic services to local governments on a contractual basis. This is done under both "Schedule A" contracts and "Amador Plan" agreements.

During 1982-83, CDF provided services to local agencies in 31 counties under 37 contracts. Twenty-nine of these contracts provide for CDF to be fully reimbursed by local governments. These are commonly referred to as Schedule A contracts. The budget indicates that the department expects to receive reimbursements of \$40,894,000 for Schedule A contract services in 1985-86.

Under Amador Plan agreements, local governments reimburse the state for only the *incremental* cost of using CDF employees and equipment to provide local fire protection during the winter (nonfire season). Existing law requires the state to pay the base salary cost of CDF employees working for local agencies under the Amador Plan.

Protection of Federal Lands. The department also protects 3,655,000 acres of federal land in California that is administered by the Bureau of Land Management (2,502,000 acres), the U.S. Forest Service (772,000 acres), the Bureau of Indian Affairs (325,000 acres),

DEPARTMENT OF FORESTRY—Continued

and the Bureau of Reclamation (56,000 acres). For these services, CDF receives "presuppression" payments of \$1,222,000 from the Bureau of Land Management (BLM) and \$99,000 from the Bureau of Reclamation. Forest Service acreage protected by CDF is counted as a credit against the amount of funds the department pays the Forest Service for protection of SRA lands. The Bureau of Indian Affairs pays CDF only for the actual suppression costs the state incurs. The BLM is also billed for CDF suppression costs, but only for fires affecting more than 100 acres.

Review of SRA Boundaries Pending

We recommend that the department report at budget hearings on the criteria it proposes to use in determining the boundaries of state responsibility area lands in 1985-86 and the potential effects of boundary changes on the department's future operations and costs.

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

1. Lands covered wholly or in part by forests or trees producing forest products (timberland).
2. Lands covered wholly or in part by vegetation which protects the soil from excessive erosion or retards runoff and percolation of water which is available for irrigation or industrial use (watershed).
3. Lands principally used or useful for range or forage purposes which are contiguous to the land described above (grazing land).

Final authority for establishing specific geographic boundaries rests with the Board of Forestry.

SRA Review Scheduled for 1985-86. The Department of Forestry will be conducting a major review of state responsibility area (SRA) lands during 1985-86, for the purpose of recommending boundary changes to the state Board of Forestry. The last time a comprehensive review of SRA lands was conducted was in 1980-81. The purpose of these periodic reviews is to take into account population growth, urbanization, changes in land use, federal acquisitions, city annexations, and other factors which may warrant reclassification of lands that are no longer entitled to fire protection at the General Fund's expense. Generally, as urbanization and development take place, wildland areas will shrink in size. Consequently, the acreage designated as SRA by the board should decrease over time. Existing law, however, does not specify how frequently a comprehensive review should be conducted.

Fewer Acres—Fewer Dollars. Reductions in SRA acreage and boundary realignments should reduce General Fund costs. Such reductions also may require changes in the location and allocation of resources and personnel by the department. In 1980, for example, CDF revised its contract with Marin County to discontinue fire protection for 63,000 acres previously included within the SRA because this land had been acquired by the federal government. This resulted in an ongoing General Fund savings of \$98,000, starting in 1980-81.

1980-81 SRA Boundary Changes were Minimal. During 1980 and 1981, the department and the Board of Forestry conducted a comprehensive 18-month review of SRA lands pursuant to a directive in the *Supple-*

mental Report of the 1980 Budget Act. Prior to 1980–81, the last review of SRA boundaries took place in 1970–71. During the intervening 10 years, many areas within the SRA were subdivided and developed. In the Sierra foothills, for example, entire new communities grew up within SRAs. Nevertheless, the board's 1980–81 review led to boundary adjustments which reduced the net amount of SRA lands by only 138,647 acres, or less than 1 percent. The department advised the Legislature that this reduction was not significant enough to warrant any change in the deployment of its fire protection resources or any decrease in the cost of SRA fire protection.

Developed Areas Remain Within SRA. Given the results of the 1980–81 SRA review, it is evident that CDF is continuing to provide fire protection for many *developed areas* at state expense. One reason for this is that the boundary criteria adopted by the Board of Forestry and used by CDF in the past to designate SRA lands allow major blocks or "islands" of agricultural and developed lands—up to 1,000 acres—to remain classified as SRA. As a consequence, urban areas and lands with permanent agricultural uses totaling 27,000 acres remain in the SRA. In addition, the department, in 1980–81, recommended and the board approved continued SRA classification for seven heavily developed areas of the state, totaling 9,293 acres. These areas include portions of Orinda (Contra Costa County), Malibu (Los Angeles County) and the Tahoe basin (Placer County). In effect, residents and property owners within these areas receive free structural protection as well as wildland fire protection from the state. Our analysis indicates, moreover, that developed areas tend to exert a disproportionate influence on CDF's deployment of staff and equipment.

Criteria for 1985–86 SRA Review. At the time this analysis was prepared, the department had not developed the criteria it will recommend be used for the 1985–86 boundary review. These criteria will determine the size and character of the SRA, and thus will have a major impact on the department's operations and budgets for years to come.

For this reason, the Legislature should have an opportunity to review the department's proposed criteria in advance. Accordingly, we recommend that, prior to budget hearings, the CDF report to the fiscal committees on (1) criteria it will propose for use in determining SRA boundaries and (2) the potential effects that changes in those boundaries will have on the department's operations and costs.

Status of Fire Lookout Contract Proposal Uncertain

We withhold recommendation on \$1,320,000 in contract funds requested to operate fire lookouts, pending (1) clarification of the proposal and (2) a demonstration that contracting is a feasible and cost-effective substitute for 58.2 personnel-years of staff now used to man these lookouts.

The budget requests \$1,320,000 from the General Fund to operate 72 CDF fire lookouts in 1985–86. These facilities are located on mountaintops throughout the state and are staffed only during the summer fire season. Lookouts in the northern half of the state generally are staffed beginning in June, while lookouts elsewhere are opened in May. During the fire season, two seasonal employees are assigned to each lookout, which operate on a 7-day, 24-hour basis.

1985–86 Contracting Proposal. The budget proposes to redirect the \$1,320,000 from personal services to contract funds for operation of its lookouts. This would allow CDF to reduce its staff by 58.2 personnel-years.

Hardly any information is available on the lookout contract proposal.

DEPARTMENT OF FORESTRY—Continued

The budget document mentions a 58.2 personnel-year reduction in the number of fire control positions for 1985-86 and indicates "additional efficiencies" will result from providing the Department's firefighters with improved photo surveillance equipment and an upgraded mobile equipment fleet, and by expanding CDF fire prevention efforts." How the two elements of the proposal fit together and what the resulting level of service will be is not apparent. It appears, however, that the department may be considering closure or reduced operation of the department's lookout system.

No Savings in Budget. The department claims that contracting will be less costly than the use of seasonal help, due to savings in staff benefits and reduced administrative workload to recruit, test, and hire seasonal employees. Nevertheless, the department proposes to retain in its 1985-86 budget all of the funds previously budgeted for seasonal lookout staff, including the \$355,000 budgeted for staff benefits. In addition, the budget fails to provide for the administrative workload associated with processing up to 144 personal services contracts.

Proposal is Still Tentative. At the time this analysis was prepared, the Department of Finance advised us that the CDF contract proposal was subject to review and approval by the Department of Personnel Administration (DPA), as well as by a special task force on contracting that recently was established by the Governor's office.

In the event that CDF receives legislative authorization to implement the proposal, it would need to begin letting contracts *in the current year*, because approximately 29 lookouts in the central and southern portions of the state begin operation in May.

Conclusion. It is not clear whether the budget proposes to *contract* for the existing level of lookout services or to reduce lookout operations. Furthermore, neither the feasibility of contracting nor its cost effectiveness has been established. We therefore withhold recommendation on \$1,320,000 requested for fire lookouts, pending clarification of the proposal and justification of its feasibility and cost-effectiveness.

Air Tanker Operating Costs Overbudgeted

We recommend a reduction of \$232,000 in order to reflect the savings that can be realized by using more cost-effective aircraft for CDF air attack operations in 1985-86. (Reduce Item 3540-001-001 by \$232,000.)

The budget requests \$3,692,000 for support of CDF air-attack firefighting operations in 1985-86. This amount includes funds for operation and maintenance of the department's fixed-wing air attack fleet that is used to drop chemical fire retardants on forest fires. The fleet includes 15 twin-engine Grumman S-2 airtankers (800 gallon capacity) and 4 leased, privately owned, four-engine B-17s (1,800 gallon capacity).

The air attack fleet is deployed at 13 air attack bases throughout the state, and the aircraft are maintained and flown by private contractors. The CDF originally obtained the S-2 airtankers from the U.S. Navy in 1974 (essentially for free) pursuant to a long-term lease. The state has outfitted these aircraft with holding tanks for fire retardant and with appropriate radio equipment.

Too Few S-2s. In establishing the existing airtanker fleet during the 1970s, the department determined that the optimum mix of aircraft is 19 S-2s and 2 B-17s (or other equivalent large aircraft). Our analysis indicates

that an S-2 costs about half as much to lease and operate as a B-17. Although a B-17 can carry a larger payload, the S-2 can use shorter runways at higher-elevation airports. The S-2, therefore, can usually reach fires more quickly than the B-17 and can make more trips to a fire.

The CDF fleet currently has four less S-2s and two more B-17s than what the department determined to be the optimum fleet composition. Two S-2s were lost in 1978 and 1979 as a result of accidents, and two more S-2s crashed last year. After the first two S-2s were lost, CDF requested and received additional funds to contract for two more B-17s until the S-2s could be replaced. The budget includes sufficient funds to operate 17 S-2s (including 2 replacements) and 4 B-17s in 1985-86.

New S-2s Readied for Use. The 1984 Budget Act provided \$274,000 to the department to modify two recently acquired S-2s for airtanker use. The department recently awarded a \$242,000 contract to Hemet Valley Flying Service for this work. In addition, the department advises that it can finance modifications for two additional S-2s during the current year with \$200,000 from insurance claims filed following the two 1984 crashes and the \$32,000 remaining from the 1984 Budget Act appropriation.

Reduced Operating Costs Not Reflected in Budget. Modification of four S-2s this spring will allow the department to restore its fleet to the optimum mix of 19 S-2 airtankers and 2 privately owned B-17s for the 1985 fire season. Our analysis indicates that this will eliminate the need to continue leasing two of the four B-17s. In effect, CDF will be able to replace two B-17s with two S-2s. This will result in savings, due to the lower operating cost of the S-2s. The budget, however, does not reflect these savings.

Based on information provided by the department, we estimate that this savings will be \$232,000 in 1985-86. This is the difference between the amount budgeted for operating two B-17s (\$406,000) and the amount needed to operate two S-2s (\$174,000). Accordingly, we recommend a reduction of \$232,000 in Item 3540-001-001.

Federal Budget Act Restriction Precludes Renewal of CDF Helicopter Leases

We recommend that (1) the Legislature adopt a joint resolution requesting the U.S. Congress to eliminate provisions from the federal Defense Appropriations Act which preclude the CDF from renewing a lease, scheduled to expire in 1985-86, for 12 U.S. Air Force helicopters and (2) the department report to the budget subcommittees on (a) what steps it is taking to renew this lease and (b) the additional costs that the state will incur if the lease is not renewed.

The budget requests a total of \$1,068,000 in 1985-86 to operate helicopters in the department's fire control and chaparral management programs. This amount consists of \$818,000 from the General Fund and \$250,000 from the Environmental License Plate Fund. The CDF fleet currently consists of nine operational Bell UH-1F helicopters (including two operational spares) leased from the U.S. Air Force, and one Bell Jet Ranger leased from a private source. During the fire season, these aircraft are used to transport fire crews. The ships also are equipped to carry water buckets for fire control operations. During the winter, the helicopters are equipped with helitorchs, and are used for prescribed burning projects in the chaparral management program.

State Investment Substantial. The UH-1F helicopters were acquired during 1981, under a five-year master lease with the U.S. Air Force covering a total of 12 aircraft. Nine of these ships have been renovated for CDF use, at a combined cost to the state of approximately \$1.4 million. The

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remaining three are stored as spares. When the state acquired these aircraft, CDF was able to phase out six smaller Bell Jet Ranger helicopters leased from private sources. Compared with the Bell helicopters, the UH-1F has a greater passenger capacity and costs substantially less to operate than leasing private helicopters.

Renewal of Air Force Lease Prohibited. A provision in the 1982 federal Defense Appropriations Act effectively prohibits the Air Force from renewing the helicopter lease with CDF when it expires on February 1, 1986. This provision has been continued in each Defense Appropriations Act since 1982. Apparently, this provision was added in order to eliminate competition with private helicopter firms.

Analysis. Our analysis indicates that leasing or purchasing comparable civilian helicopters to replace those currently leased from the Air Force would substantially increase state costs. The CDF advises that seven comparable aircraft would cost an *additional* \$2,048,000 per year to lease or \$600,000 each to purchase. Thus, if the Air Force leases are not renewed, additional funds will be needed to provide the existing level of fire protection service. The 1985-86 budget, however, requests only enough money to operate the current fleet.

The best solution to this problem, from the state's viewpoint, would be for Congress to eliminate the prohibition on renewal of the lease. On this basis, we recommend that (1) the Legislature, by joint resolution, request Congress to delete the leasing prohibition and (2) CDF report to the budget subcommittees on its efforts to obtain renewal of the lease, the prospects for success, and the additional cost that the department will incur in 1985-86 and 1986-87 if the lease is not renewed.

"Smokey and the Pros" Fire Prevention Project: Smokey Doesn't Need New Money

We recommend that \$100,000 in delete new funding requested for the "Smokey and the Pros" fire prevention and education project be deleted because the department has demonstrated that the project can be supported with existing funds. (Reduce Item 3540-001-001 by \$100,000.)

The budget requests an increase of \$100,000 from the General Fund to continue the existing fire prevention and education program established during the current year known as "Smokey and the Pros." This program produces public service announcements (PSAs) for television and uses personalities from professional sports. These television commercials are being produced and filmed by the Department of Water Resources, under contract to CDF. The project also provides for a Smokey Bear game day with each team and printed fire prevention handouts.

We believe the PSAs produced by the project during 1984 represent a creative and innovative approach to wildland fire prevention. It is not clear, however, that additional funds are needed to continue this project in the budget year. Apparently, the 1984 Smokey and the Pros project was supported during the current fiscal year using funds redirected from less-effective or lower-priority fire prevention activities. Since funds apparently are already available within the department's base budget for this project, we see no basis for providing any additional money to restore other unspecified activities previously determined to be less effective or of a lower priority. Additional funds for these purposes should be considered on their merits, not Smokey's. Accordingly, we recommend a reduc-

tion of \$100,000 in Item 3540-001-001 to delete new funds for the Smokey and the Pros project.

State Funds Sought to Replace Sonoma County Contract Funds

We recommend that \$224,000 requested from the General Fund in order to make up for the loss of reimbursements from Sonoma County be deleted because the state will no longer be providing the services that produced these reimbursements. (Reduce Item 3540-001-001 by \$224,000.)

The department advises that Sonoma County will be cancelling its local fire protection (Schedule A) contract with CDF, effective December 31, 1985. Although not specifically identified in the budget, we are advised that this contract currently finances a total of 15.9 personnel-years of CDF firefighting and related staff positions and generates approximately \$794,000 in reimbursements each year, including \$78,000 (10.9 percent) charged for departmental administrative overhead expenses.

In light of the pending cancellation, the department is requesting an augmentation of \$224,000 from the General Fund for (1) an existing fire captain position at its Sonoma Ranger Unit emergency command center (\$41,000), (2) six-months' funding for six existing fire apparatus engineers (\$105,000), and (3) replacement of CDF administrative overhead charges currently funded by Sonoma County (\$78,000). The fire captain position currently is supported entirely with county funds; the other six positions are supported with state funds during the six month wildland fire season, and with county funds during the remainder of the year when they provide local fire protection.

Our analysis indicates that the department has not justified the need for state funds for personnel and administrative overhead costs associated with a service that no longer will be provided. Each component of the department's request would result in the state taking on costs now funded by the county because these costs are incurred in providing local fire protection. If the county no longer needs these services from the state, the positions and associated funding should be eliminated from the budget.

In addition, we note that the department is unable to identify how it will spend any of the \$78,000 requested to offset the loss of county reimbursements for administrative overhead. In any event, the loss of these funds will be more than offset by \$402,000 in increased reimbursements for administrative overhead that CDF will receive in 1985-86, due to an increase of \$4,093,000 and 54.5 positions in other Schedule A operations.

For these reasons, we recommend a reduction of \$224,000 in Item 3540-001-001 to delete the funds associated with a service that no longer will be provided.

Amador Plan Contract Costs

We recommend that \$477,000 requested from the General Fund be deleted and that reimbursements be increased by an equal amount, in order to budget for winter fire protection services provided to local agencies under Amador Plan contracts in accordance with the requirements of Chapter 1220, Statutes of 1984. We further recommend that the Department of Finance report at budget hearings on what steps it is taking to comply with language contained in the 1984 Budget Act. (Reduce Item 3540-001-001 by \$447,000.)

The budget requests \$3,050,000 from the General Fund to finance in 1985-86 the cost of the "constant-rate-of-pay" provision contained in CDF's 1983 Memorandum of Understanding (MOU) with the CDF em-

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ployee association. The amount requested for 1985–86 includes approximately \$477,000 for personnel working under contract to local government during the winter, pursuant to Amador Plan fire protection agreements.

Fire Mission Pay and the 1983 MOU. The 1983 MOU required the CDF to pay the 15 percent fire mission bonus on a year-round basis. This requirement, generally referred to as the “constant-rate-of-pay” provision, became fully operative during the current year and essentially raises the *base salary* for all permanent firefighting staff by 15 percent. Previously, the 15 percent salary bonus was paid only when CDF firefighting personnel worked a 72-hour duty week during the four- to eight-month fire season.

Because local governments pay only the *incremental cost* of fire protection services during the nonfire season under Amador Plan contracts, the 1983 MOU would have shifted approximately \$477,000 in costs from local government to the state in the absence of any change in law. This is because prior to the current year, the primary incremental cost funded under Amador Plan contracts was the 15 percent fire mission bonus. In raising the base salary for all permanent CDF firefighting personnel, the 1983 MOU eliminated the statutory basis for charging Amador Plan counties any salary costs for CDF personnel.

Chapter 1220, Statutes of 1984. To prevent this cost shift, the Legislature enacted Chapter 1220, Statutes of 1984. This legislation authorizes CDF to charge local agencies for a percentage of its base salary and benefit costs. This will reduce the state’s cost for providing fire protection under Amador Plan contracts. Chapter 1220 became effective on September 17, 1984, as an urgency statute.

1984 Budget Act Language. In anticipation of Chapter 1220, Statutes of 1984, the Legislature included language in Item 3540-001-001 of the 1984 Budget Act which requires the Director of Finance to (1) notify the Joint Legislative Budget Committee of any additional contract payments received by CDF and (2) notify the state Controller of such payments so that the General Fund appropriation available for expenditure could be reduced accordingly. At the time this analysis was prepared, the committee had not received any notification and no savings had been realized.

Recommendation. Our analysis suggests that the Department of Forestry has not taken any action to implement Chapter 1220, Statutes of 1984. As a consequence, we estimate that CDF’s expenditures for salaries and staff benefits in the current year will be \$477,000 higher than necessary. In addition, the budget for 1985–86 has not been adjusted to reflect increased reimbursements under Amador Plan contracts required by the 1984 legislation. Accordingly, we recommend that the Department of Finance report during budget hearings on what actions it is taking during the current year to comply with the 1984 Budget Act language. We further recommend that Item 3540-001-001 be reduced by \$477,000 and reimbursements be increased by the same amount, in order to reflect the change in funding policy intended by Chapter 1220, Statutes of 1984.

Fire Academy Costs Increase Due to Joint Apprenticeship Program

We recommend a reduction of \$2,424,000 from the General Fund and an increase of \$1,985,000 in scheduled reimbursements to (1) shift to local agencies their proportionate share of the added costs for the department’s new Joint Apprenticeship Program (\$1,985,000) and (2) delete \$439,000

requested for reimbursement of the California Firefighters Joint Apprenticeship Committee because neither the need for or proposed use of these funds has been explained. We further recommend that the department report at budget hearings on (1) the number of its employees currently receiving fire academy training that are assigned to Schedule A work locations and (2) the cost and source of funding for support of existing academy operations. (Reduce Item 3540-001-001 by \$2,424,000.)

The budget requests \$2,899,000 from the General Fund to finance operation of the CDF Fire Academy on a year-round basis in 1985-86 and for related costs. This proposal stems from a 1983 stipulated court judgement and related implementing agreements that impose new fire fighter training requirements. The stipulated court judgement was an out-of-court settlement to a reverse discrimination suit brought by the California Department of Forestry Employee Association (CDFEA) against the department's affirmative action program (*CDFEA v. the State Personnel Board and CDF*, Superior Court Order No. 794355).

Under the terms of the court order, the department has agreed to provide an expanded training program for new employees in the Firefighter II and Fire Apparatus Engineer (FAE) classifications before these employees report to their assigned work locations. The new CDF training program is commonly referred to as the Joint Apprenticeship Program.

The funds requested would be used in 1985-86 to:

- Increase the Fire Academy's operating budget for training courses and curriculum-related costs—\$232,000.
- Increase the Academy's support staff and related operating expenses—\$113,000.
- Purchase and operate 13 new fire engines, plus other vehicles—\$1,487,000.
- Provide operating funds for additional pre- and post-Academy training provided at the assigned work locations, as well as for the additional staff costs incurred in covering these posts during training—\$482,000.
- Provide relocation expenses—\$146,000.
- Reimburse the California Firefighter Joint Apprenticeship Committee (JAC) for its program costs—\$439,000. (The CFJAC is a nonprofit organization sponsored by the Federated Firefighters of California and the State Fire Marshal).

Local Agencies Should Pay for Their Share of the New Training Program. The department advises that the new Joint Apprenticeship Program will require the Fire Academy to train an additional 150 FAE and 50 Firefighter II personnel per year. Following graduation, CDF indicates that all of the Firefighter II positions and about 75 percent of the FAE's will be assigned to fire station facilities operated by the department as part of its Schedule A local fire protection program. Although both the salary costs of these employees and station operating expenses are fully reimbursed by the contracting local agencies, the budget does not provide for the local agencies to pay their share of the added costs resulting from the Joint Apprenticeship Program.

We estimate that approximately 163, or 81 percent, of the 200 employees to be trained under the Joint Apprenticeship Program will be assigned to work for local agencies under Schedule A contracts, following graduation from the Fire Academy. These local agencies should pay their proportionate share of training program costs. Accordingly, we recommend a reduc-

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tion of \$1,985,000 in the amount requested from the General Fund and an equivalent increase in the amount of scheduled reimbursements in order to shift the cost of training Schedule A program employees to the program's beneficiaries. The reduction we recommend is 81 percent of the \$2,450,000 budgeted for the Joint Apprenticeship Program, less \$439,000 budgeted for JAC payments.

In order to determine whether any similar cost shifts are warranted for existing training programs at the Fire Academy, we recommend that during budget hearings the department also report on (1) the number of employees currently trained at the Academy that are assigned to Schedule A work locations and (2) the existing costs and sources of funding for academy operations.

Use of JAC Payments Unexplained. The \$439,000 requested to pay the JAC would be deposited into a special trust fund—the California Fire Fighter Apprenticeship Training Fund. The CDF indicates that money in this fund is under the control of the JAC and would not be subject to appropriation by the Legislature.

Information provided by the Department of Finance indicates that these payments, which will continue in future years, are required under a "subscription" agreement signed by the Department of Forestry and the JAC. This agreement is separate from the stipulated judgment. The CDF, however, has not explained the need for or purpose of these payments. We see no justification for providing any funds for unspecified purposes not subject to legislative control and therefore we recommend that the requested funds be deleted, for a savings of \$439,000 to the General Fund.

1984–85 Salary Increase for Schedule A Employees

We recommend a technical adjustment to the Budget Bill in order to provide funds for the 1985–86 costs of the 1984–85 employee compensation increase for CDF personnel in the Schedule A fire protection program. (Increase reimbursements by \$2,832,000.)

The CDF budget includes \$12,797,000 from various funds, including \$12,318,000 from the General Fund, to pay the 1985–86 cost of the 8 percent salary increase that the Department of Personnel Administration negotiated with CDF employees in the current year. This amount does not include \$2,832,000 in reimbursements from local governments needed to fund the cost of salary increases for CDF employees working under contract to local government in the Schedule A fire protection program. These funds were not included in the budget for 1985–86, due to an oversight.

To ensure that the costs in 1985–86 of the 1984–85 employee compensation increase for Schedule A employees are budgeted properly, we recommend an increase of \$2,832,000 in the department's schedule of reimbursements in Item 3540-001-001.

Workers' Compensation Cost Study

In the *Supplemental Report of the 1984 Budget Act*, the Legislature directed CDF to (1) complete a comprehensive evaluation of the number and cost of workers' compensation claims paid during 1982–83 and 1983–84 to its Schedule A (local contract fire protection) and wildland fire protection employees, (2) determine the appropriate local government share of these expenses, and (3) make any necessary adjustments in the amounts

charged to local agencies for these costs in renewing Schedule A agreements during the current year. The study was required because of a \$1,915,000, or 92 percent, increase requested in the amount budgeted in 1984-85 for paying workers' compensation benefits to CDF employees and the large number of personnel working in the Schedule A program.

On November 13, 1984, the department submitted a report which examined billings and costs incurred for claims covering only a six-month billing period (July 1, 1983 through December 31, 1983), rather than the two complete fiscal years called for by the Legislature's directive. Based on the review, CDF indicates that the state collected more money from Schedule A counties than the department paid to its Schedule A employees. No adjustment, however, has been made to the budget as a result of CDF's findings.

Due to the short period of time covered by the study, these findings may not be reliable. They could reflect seasonal variations or unusual circumstances.

The department recognizes that it did not comply fully with the supplemental report directive. It asserts, however, that it would take three of its full-time staff about four months to complete the study for the entire two-year period, and the department apparently does not believe that the study has a high enough priority to warrant that much effort.

DEPARTMENT OF FORESTRY—CAPITAL OUTLAY

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

Budget p. R 62

Requested 1985-86	\$3,622,000
Recommended approval	2,007,000
Recommended reduction	269,000
Recommendation pending	1,346,000

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

*Analysis
page*

1. Withhold recommendation on the following four projects, pending receipt of additional project scope and cost information: 455
 - Item 3540-301-036(4), Redding Air Attack Base Reconstruction (\$76,000).
 - Item 3540-301-036(6), Feather Falls Forest Fire Station Replacement (\$80,000).
 - Item 3540-301-036(10), Reconstruct Apparatus Building, Saratoga Summit Forest Fire Station (\$716,000).
 - Item 3540-301-036(11), DeLuz Forest Fire Station Replacement (\$474,000).
2. **Sonoma Ranger Unit Headquarters Auto Shop Replacement. Reduce by \$58,000.** Recommend deletion of preliminary plans and working drawing funds because replacement of the existing facility should be deferred until it is determined if the Department of Corrections can provide auto repair services to serve this facility. 456

DEPARTMENT OF FORESTRY—CAPITAL OUTLAY—Continued

- 3. *Shasta Forest Fire Station. Reduce by \$60,000.* Recommend that preliminary plans and working drawing funds be deleted because construction of this new forest fire station is premature, given the department's plan to reassess the "state responsible area" throughout the state. 457
- 4. *Tehama-Glenn Ranger Unit Headquarters Apparatus Building Replacement. Reduce by \$13,000.* Recommend that preliminary plans and working drawing funds be reduced to eliminate overbudgeting. 458
- 5. *Mountain Home Demonstration Forest Acquisition. Reduce Item 3540-301-036 by \$270,000 and add Item 3540-301-428 in the same amount.* Recommend that a more appropriate funding source be used to finance this project. 458
- 6. *Miramonte Conservation Camp Acquisition. Reduce by \$146,000.* Recommend that acquisition funds requested from the Special Account for Capital Outlay for this conservation camp be deleted and that funding from prison bond funds be considered, because this project is intended to increase the capacity of the prison system. 459
- 7. *Overbudgeted Construction Funds.* Recommend that the amounts approved for construction be reduced by 3 percent to eliminate overbudgeting. 460

ANALYSIS AND RECOMMENDATIONS

The budget proposes \$3,622,000 from the General Fund, Special Account for Capital Outlay, for various projects to be undertaken by the California Department of Forestry (CDF).

PROJECTS RECOMMENDED FOR APPROVAL

Our review of the request indicates that four projects, totaling \$1,700,000, are justified, and we recommend approval of the requested funds. Table 1 summarizes the projects recommended for approval.

Table 1
Department of Forestry
1985-86 Major Capital Outlay
Projects Recommended for Approval
Item 3540-301-036
(dollars in thousands)

Sub-item	Project Title	Location	Phase ^a	Budget	Estimated
				Bill Amount	Future Cost ^b
(3)	Crystal Creek Conservation Camp Land Exchange	Shasta Co.	a	\$22	—
(7)	Passive (Microwave) Reflector Site	Butte Co.	a	8	—
(12)	Opportunity Purchases	Statewide	a	15	—
(13)	Minor Capital Outlay	Statewide	pwc	1,655	—
Totals				\$1,700	—

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

PROJECTS FOR WHICH RECOMMENDATION IS WITHHELD

We withhold recommendation on \$1,346,000 requested under Item 3540-301-306 for Department of Forestry facilities at Redding, Feather Falls, Saratoga Summit and DeLuz, pending receipt of additional information on project scope and costs.

The budget includes funding for four projects which previously have been approved by the Legislature. In each case, the Legislature has appropriated preliminary planning funds or the Department of Finance has allocated funds to the Office of the State Architect (OSA) for preparation of additional project scope and cost information.

Our review indicates that these projects are justified. Pending receipt and review of preliminary plans and OSA budget packages for these projects, however, we cannot advise the Legislature on the appropriate level of funding for these projects. Accordingly, we withhold recommendation on these four projects which are identified in Table 2.

Table 2

**Department of Forestry
1985-86 Major Capital Outlay**

**Projects for Which the Legislative Analyst Is Withholding Recommendation
Item 3540-301-036
(dollars in thousands)**

Sub-item	Project Title	Location	Phase ^a	Budget Bill Amount	Estimated Future Cost ^b	Reason for Withholding Recommendation
(4)	Redding Air Attack Base Reconstruction	Shasta Co.	pw	\$76	\$735	Pending completion of scope and cost information (OSA budget package) and long-term federal lease agreement.
(6)	Feather Falls Forest Fire Station Replacement	Butte Co.	pw	80	550	Pending completion of scope and cost information for replacement, based on new Almaden station design (OSA budget package).
(10)	Reconstruct Apparatus Building, Saratoga Summit Forest Fire Station	Santa Cruz Co.	wc	716	—	Pending completion of preliminary plans
(11)	DeLuz Forest Fire Station Replacement	San Diego Co.	ce	474	—	Pending completion of preliminary plans
	Totals			\$1,346	\$1,285	

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

^b Department estimate.

DEPARTMENT OF FORESTRY—CAPITAL OUTLAY—Continued

RECOMMENDED REDUCTIONS/DELETIONS

Our review indicates that six projects included in the CDF's capital outlay program either (1) have not been justified, (2) should be modified, or (3) should be funded from an alternative source. These projects are summarized in Table 3. Our analysis of these projects follows.

Table 3
Department of Forestry
1985-86 Major Capital Outlay
Legislative Analyst's Recommended Changes
Item 3540-301-036
(dollars in thousands)

Sub-item	Project Title	Location	Phase ^a	Budget Bill Amount	Analyst's Recommendation	Estimated Future Cost ^b
(1)	Replace auto shop and Apparatus Building, Sonoma Ranger Unit Headquarters ..	Sonoma Co.	pw	\$50	—	\$580
(2)	New Station, Shasta Forest Fire Station ..	Shasta Co.	pw	60	—	850
(5)	Replace Apparatus Building, Tehama-Glenn Ranger Unit Headquarters	Tehama Co.	pw	50	37	511
(8)	Mountain Home Demonstration Forest, Acquisition	Fresno Co.	a	270	\$270 ^c	—
(9)	Miramonte Conservation Camp Acquisition	Fresno Co.	a	146	—	—
	Totals			\$576	\$307	\$1,941

^a Phase symbols indicate: a = acquisition; p = preliminary planning; and w = working drawings.
^b Department estimate.
^c Recommend change in funding source.

Sonoma Ranger Unit Headquarters Auto Shop

We recommend that Item 3540-301-036 (1), preliminary plans and working drawings for a new auto shop and apparatus building at the Sonoma Ranger Unit Headquarters, be deleted, because the department should evaluate the feasibility of shifting automotive repair work from this unit to the new prison at Vacaville before proceeding with this \$630,000 project, for a reduction of \$50,000.

The budget includes \$50,000 for preliminary plans and working drawings in connection with a project to replace the existing auto shop and apparatus building at the Sonoma Ranger Unit Headquarters. The existing building is too small to meet the requirements for servicing CDF vehicles assigned to the regional headquarters. The department's request provides for construction of a new automotive repair facility and minor alterations to the existing auto shop so that it can be used as an apparatus building for storage of CDF vehicles. The estimated total cost of the project is \$630,000.

The Department of Corrections (CDC) is constructing a new prison facility at Vacaville. The 2,400-bed facility is required to provide work assignments for inmates through establishment of new Prison Industry Authority programs and vocational education programs. One of the major programs that the department plans to operate at the Vacaville prison is an automotive repair program. The CDC anticipates that vehicles as-

signed to a variety of state departments will be maintained and repaired by inmates at the new prison.

Consequently, it would seem that some of the auto repair work currently being performed at the Sonoma Ranger Unit Headquarters could be transferred to the CDC. This would accomplish two objectives: (1) provide more work opportunities for prisoners and (2) alleviate overcrowding at the existing headquarters facility. We therefore recommend that this project be deferred until the feasibility of shifting a portion of the auto repair work from the Sonoma Facility to the Vacaville prison has been evaluated.

Shasta Forest Fire Station

We recommend deletion of Item 3540-301-036(2), preliminary plans and working drawing funds for a new Shasta Forest Fire Station, because it is premature to establish a new fire station in this area until the results of two statewide studies of the department's fire suppression responsibilities and resource requirements are completed, for a reduction of \$60,000 in 1985-86.

The budget includes \$60,000 for preliminary plans and working drawings for a new Shasta Forest Fire Station to be located on federal property east of Redding in Shasta County. The new station would include a 14-person barracks/messhall, 3-bay apparatus building, a bulldozer garage, plus a gas and oil facility. The estimated future cost for construction and equipment at the new facility is \$850,000.

Fire suppression service in this area is now provided by CDF's Redding Forest Fire Station, located within the city limits of Redding. This station, however, will be closed in the fall of 1985 because the department is not able to renew the lease for this facility.

Funds to replace the Redding Forest Fire Station were approved in the 1984-85 Budget Act. The new station is to be located on federal property at the Redding airport, approximately seven miles south of the existing location. The department now indicates that response time to the area west of Redding will be lengthened because fire service will either come from the relocated station or from the existing French Gulch station located west of Redding. The department, however, anticipates abandoning the French Gulch station, once the new Shasta station is completed, and transferring the staff and equipment to the new facility.

During 1985-86, the department expects to complete two major projects that are relevant to fire protection needs. First, the department intends to reevaluate the scope of the state responsibility area within California. This project will identify the specific lands for which the state should provide wildland fire protection. The other project seeks to develop a new State Fire Plan. This project, which is being undertaken by the State Board of Forestry, with staff support provided by the department, will assess the design and adequacy of CDF's overall deployment of resources in meeting its wildland fire control responsibilities.

The conclusions produced by these two projects could have a significant effect on the need for and deployment of fire suppression resources in the Redding area. Consequently, we believe the need for establishing a new forest fire station in the area cannot be determined at this time.

Moreover, we conclude that since the department has not yet occupied the new Redding Airport Forest Fire Station, it does not have the operating experience needed to establish what additional response capabilities are required in the Redding Area.

DEPARTMENT OF FORESTRY—CAPITAL OUTLAY—Continued

For these reasons, we recommend that funding for the new Shasta station be deferred, for a reduction of \$60,000 in 1985-86.

Tehama-Glenn Ranger Unit Headquarters Apparatus Building

We recommend that Item 3540-301-036 (5), \$50,000 for preliminary plans and working drawings for replacement of the Apparatus Building at the Tehama-Glenn Ranger Unit Headquarters, be reduced by \$13,000 to eliminate overbudgeting.

The budget includes \$50,000 for preliminary plans and working drawings for a replacement apparatus building at the Tehama-Glenn Ranger Unit headquarters. The existing building is approximately 50 years old and is no longer serviceable because of structural problems and substandard utility services. The replacement facility would provide a 10-bay apparatus building for storage of engines, and would also include two offices. The estimated future cost for construction of this facility is \$511,000, based on a plan prepared by the Office of State Architect.

Our review of the preliminary plans and cost estimates submitted for this project indicate that the funding request is overbudgeted. According to the project cost estimate, \$37,000 would be sufficient to complete preliminary plans and working drawings for the project, as currently planned. We therefore recommend a reduction of \$13,000 to eliminate overbudgeting.

In addition, our review of the project reveals that several project aspects are too costly and should be downgraded or eliminated. They include the overhead doors, which OSA estimates will cost \$3,000 to \$3,500 each, and the skylights, which may pose a future maintenance problem. Downgrading or eliminating these aspects of the project will result in a savings of approximately \$42,000.

Thus, we recommend that Item 3540-301-036 (5) be reduced by \$13,000, and that the project be designed to reduce future costs by \$42,000.

Mountain Home Demonstration Forest Acquisition

We recommend that acquisition funds to acquire property at the Mountain Home Demonstration Forest be appropriated from the Forest Resources Improvement Fund rather than from the SAFCO, because this is a more appropriate funding source for the project. (Delete Item 3540-301-036 and add a new item, Item 3540-301-928, in the amount of \$270,000.)

The budget includes \$270,000 to acquire property to expand the Mountain Home Demonstration Forest. The 53-acre parcel is owned by the Trust for Public Lands and is totally surrounded by the Mountain Home Demonstration Forest. Acquisition of this property would improve overall management of the state forest, and should proceed.

Our analysis indicates, however, that there is a more appropriate funding source for the project than what the budget proposes. To the extent that acquisition of this parcel improves management efficiency, then costs savings and/or increased revenues will accrue to the Forestry Resources Improvement Fund (FRIF). Consequently, we conclude that this fund, rather than the Special Account for Capital Outlay, should be used to finance the project. The budget indicates that in 1985-86, revenues to the FRIF (which are derived from the sale of state forest products) will be \$5.3 million.

We therefore recommend that Item 3540-301-036 (8) be deleted and

that a new item be added to appropriate funds from the FRIF for this project. In order to clarify the purpose of the appropriation, we further recommend adoption of the following Budget Act language under the new item:

“Notwithstanding any other provision of law to the contrary, these funds shall be available for acquisition of approximately 53 acres of property wholly within the boundary of the Mountain Home Demonstration State Forest.”

Miramonte Conservation Camp Acquisition

We recommend that Item 3540-301-036(9), \$146,000 for acquisition of the Miramonte Conservation Camp, be deleted because the requested acquisition should be considered, in priority order for funding by the Department of Corrections as part of its capital outlay program for expansion of existing camp facilities.

The budget includes \$146,000 to acquire approximately 50 acres of land in the vicinity of the Miramonte Conservation Camp in Fresno County. The acquisition includes approximately 15 acres of leased property which is the site of the existing camp. In addition, 35 acres would be acquired to provide a security buffer zone, and provide property needed to expand the camp's sewer system.

The lease on the existing Miramonte camp site is due to expire in 1989. According to CDF, the owner has expressed his intent not to renew the lease. Consequently, it may be necessary for the state to acquire the parcel in order to continue occupancy of the Miramonte site beyond 1989.

The CDF indicates that the Department of Corrections would like to expand this camp by at least 20 inmates, as part of its efforts to alleviate overcrowding of existing correctional facilities. The existing sewer system, however, is barely adequate to serve the current camp population of 80 inmates. Consequently, the CDF requests funds to acquire an additional 35 acres, a portion of which would be used to expand the existing sewage treatment system. Approximately \$95,000 in capital outlay funds would be needed for this purpose.

Our analysis indicates that the need to acquire this camp site and surrounding buffer zone hinges on whether the Department of Corrections (CDC) believes it is cost-effective to continue occupancy of the present camp. To make such a determination, the CDC needs:

- an appraisal of the current site and buffer area;
- an evaluation of the need for the buffer zone, compared to other alternatives;
- an engineering evaluation of the useful life of current improvements;
- the cost to make necessary improvements to expand inmate capacity;
- the estimated cost of improving a new site with the same or expanded inmate population.

A portion of the necessary information should be available in the current year because the 1984 Budget Act appropriated \$9,000 for an appraisal of the existing leased site and buffer area.

We believe that the cost of the acquisition, sewer improvements, and necessary facility improvements should be weighed against the other alternatives for increasing camp assignments, once the necessary information is available. Furthermore, we believe any proposal for expenditure of funds at this site should be included in the CDC's budget, rather than in the CDF's budget, so that it will be weighed against other alternatives for

DEPARTMENT OF FORESTRY—CAPITAL OUTLAY—Continued

expanding prison capacity. For this reason, we recommend that the funds requested in Item 3540-301-036 (9) be deleted, for a reduction of \$146,000.

Overbudgeted Construction Funds

We recommend that the amounts approved for construction in Item 3540-301-036 be reduced by 3 percent to eliminate overbudgeting of construction costs.

The Governor's Budget requests \$1,162,000 for the construction phase of capital outlay projects in 1985-86. Consistent with the state's budgetary practice, these amounts are based on an anticipated construction cost index for July 1, 1985. At the time the index was established for the budget year, it was set at a reasonable level. Inflation, however, has not increased as anticipated. Using most recent indices, adjusted by the current expected inflationary increase of about 1/2 percent per month, construction costs in the budget are overstated by approximately 3 percent. We therefore recommend that any funds approved for construction under this item be reduced by 3 percent to eliminate overbudgeting.

Supplemental Report Language

For purposes of project definition and control, we recommend that supplemental report language be adopted at the time of budget hearings which describe the scope of capital outlay projects approved under this item.

**Resources Agency
STATE LANDS COMMISSION**

Item 3560 from the General
Fund

Budget p. R 63

Requested 1985-86	\$15,393,000
Estimated 1984-85.....	12,424,000
Actual 1983-84	11,071,000
Requested increase (excluding amount for salary increases) \$2,969,000 (+24 percent)	
Total recommended reduction	2,071,000

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

*Analysis
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1. **Legal Services for Jurisdictional Dispute with Coastal Commission. Reduce Item 3560-001-001 by \$100,000.** Recommend reduction to delete funds requested for outside legal counsel because the commission's jurisdictional dispute with the Coastal Commission should be resolved by the Legislature through the enactment of legislation, rather than by the courts. Further recommend enactment of legislation expressly requiring the State Lands Commission to obtain a coastal development permit from the Coastal Commission before leasing state coastal tide and submerged lands.

2. **Prelease Study Premature. Reduce Item 3560-001-001 by \$1,335,000.** Recommend reduction of funds requested for environmental, biological and geological studies preparatory to leasing certain state tide and submerged lands for oil and gas development, because until the current jurisdictional dispute with the Coastal Commission is resolved, these studies are premature. 466
3. **Geothermal Well Studies. Reduce Item 3560-001-001 by \$220,000.** Recommend reduction of funds requested for geothermal reservoir simulation studies because it would be more appropriate for the lessee to conduct the studies. 467
4. **Computer and Word Processing Request. Reduce Item 3560-001-001 by \$416,000.** Recommend deletion of funds requested for new computer and word processing systems because the commission (1) has not completed a feasibility study report in support of the request and (2) does not have an adequate information system plan. Recommend also that the commission report to the budget subcommittees on the estimated cost and feasibility of replacing its obsolete computerized royalty accounting system. 468

GENERAL PROGRAM STATEMENT

The State Lands Commission is composed of the State Controller, the Lieutenant Governor, and the Director of Finance. It is responsible for the management of sovereign and statutory lands which the state has received from the federal government. These lands total more than four million acres and include tide and submerged lands, swamp and overflow lands, the beds of navigable waterways, and vacant state school lands. The commission:

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

The commission's headquarters is in Sacramento. Oil, gas, and other mineral operations are directed from an office in Long Beach. The commission has 262 authorized positions in the current year.

OVERVIEW OF THE BUDGET REQUEST

The budget proposes an appropriation of \$15,393,000 from the General Fund for support of the State Lands Commission in 1985-86. This is an increase of \$2,969,000, or 24 percent, from estimated current-year expenditures (which include \$150,000 for a one-time project from the Environmental License Plate Fund). This increase will grow by the amount of any salary or staff benefit increases that may be approved for the budget year.

Despite the 24 percent increase in appropriations, the budget proposal would have no *net* impact on the General Fund. This is because, under existing law and provisions in the Budget Bill, the entire amount of the

STATE LANDS COMMISSION—Continued

appropriation to the commission—\$15,393,000—will be matched by increased revenues to the General Fund. These revenues would be derived from the deposit of tidelands oil revenues (\$12,998,000) and state school lands revenues (\$2,395,000). The cost of operating the commission, therefore, actually is borne by the Special Account for Capital Outlay and the State Teachers' Retirement Fund, which otherwise would receive these revenues.

The budget proposal does not include any funds in 1985–86 for the estimated cost of merit salary increases (\$137,000) or inflation adjustments for operating expenses and equipment (\$84,000). Presumably, these costs (\$221,000) will be financed by diverting funds budgeted for other purposes.

Table 1 summarizes expenditures and sources of funds for the Coastal Commission since 1983–84.

Table 1
State Lands Commission
Expenditures and Funding Sources
1983–84 through 1985–86
(dollars in thousands)

<i>Expenditures</i>	<i>Actual 1983–84</i>	<i>Estimated 1984–85</i>	<i>Proposed 1985–86</i>
Extractive Development	\$5,662	\$6,514	\$8,891
Land Management and Conservation	4,240	4,584	5,136
Administration	1,819	2,201	2,494
Unallocated reduction for merit salary adjustments and operating expenses	—	—	-221
Total Expenditure	\$11,721	\$13,299	\$16,300
<i>Funding Sources</i>			
General Fund	\$11,071	\$12,274	\$15,393
Environmental License Plate Fund	—	150	—
Reimbursements.....	650	875	907

The commission proposes total 1985–86 expenditures of \$16,300,000, including \$907,000 in expenditures from reimbursements. This amount is \$3,001,000, or 23 percent, more than the \$13,299,000 that the budget estimates the commission will spend during the current year.

Significant Budget Changes

Table 2 summarizes the commission's proposed budget changes for 1985–86, by funding source.

Commission Oil and Gas Revenues

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

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

Table 2
State Lands Commission
Proposed Budget Changes, by Funding Source
1985-86
(dollars in thousands)

	<i>General Fund</i>	<i>Other</i>	<i>Total</i>
1984-85 Expenditures (Revised)	\$12,274	\$1,025 ^a	\$13,299
A. Program Changes			
1. Preleasing studies of tide and submerged lands from Pt. Arguello to Pt. Sal	1,935	—	1,935
2. Expanded management of state school lands..	355	—	355
3. Expand computer and word processing systems.....	416	—	416
4. Contract for geothermal reservoir studies	220	—	220
5. Contract counsel for jurisdictional dispute with Coastal Commission	100	—	100
6. Increase in equipment purchases	159	—	159
7. Other proposals	83	—	83
B. Technical Adjustments			
1. Deletion of one-time projects.....	-200	-150 ^b	-350
2. Salary adjustments	51	32 ^c	83
1985-86 Expenditures (Proposed)	\$15,393	\$907 ^c	\$16,300
Change from 1984-85:			
Amount	\$3,119	-\$118	\$3,001
Percent	25.4%	-11.5%	22.6%

^a \$150,000 from the Environmental License Plate Fund (ELPF) and \$875,000 from reimbursements.

^b ELPF

^c Reimbursements

to protect the state's substantial financial interest at Long Beach, the commission has the authority to approve development and operating plans and budgets associated with production at Long Beach.

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

1985-86 Tidelands Oil Revenue Estimates. The budget estimates that the state will receive a total of \$435.8 million in tidelands oil and gas revenue in 1985-86. This amount consists of \$335.0 million in revenue from Long Beach production and \$100.8 million in revenue from statewide leases.

The \$435.8 million estimate for 1985-86 is \$54.8 million, or 11.2 percent, below estimated oil and gas revenue in the current year. This reduction reflects:

- Reduced oil prices and oil production rates at Long Beach (\$31.9 million),
- One-time revenues to be received from an out-of-court settlement with ARCO in the state's long-standing antitrust suit against THUMS (\$19.8 million in 1984-85 and \$1.7 million 1985-86), and
- Reduced production rates on statewide leases (\$4.8 million).

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

STATE LANDS COMMISSION—Continued

Antitrust Suit. In 1975, the state and the City of Long Beach filed suit in the U. S. District Court against the seven companies that make up THUMS (ARCO, Chevron, Mobile, Shell, Texaco, Union and Exxon), charging that beginning in 1962, the companies conspired to fix prices paid for oil from the Long Beach tidelands. The commission estimates that total damages in the case could amount to approximately \$300 million, which could be trebled (to \$900 million) under anti-trust law.

On December 13, 1984, the state settled with ARCO out of court for a total of \$21.5 million, which will be reflected as tidelands oil revenue (\$19.8 million in 1984-85 and \$1.7 million in 1985-86). It is not possible to say when the case will be resolved or predict what the amount of the final settlement will be.

School Lands Revenues

In addition to tidelands oil revenues, the commission estimates that it will receive about \$12.6 million in geothermal revenues and land rentals from "state school lands." These are lands that were granted by the federal government to the state in 1853 to help support public education within the state. Essentially all revenues from school lands, net of the commission's costs to manage the lands, are deposited into the State Teachers' Retirement Fund (STRF). The budget for 1985-86 proposes to deposit \$2,395,000 of this revenue in the General Fund to cover the commission's cost of managing the state school lands. The remaining \$10.2 million will be deposited in the STRF.

ANALYSIS AND RECOMMENDATIONS

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

- **Expanded School Lands Management:** The commission proposes to conduct land appraisal and market feasibility studies of unleased state school lands and to increase revenue production from these lands (\$355,000).
- **Equipment:** The commission proposes to purchase electronic land survey equipment and to replace obsolete copiers and file cabinets (\$159,000).
- **Other Proposals:** The commission proposes to study the effects of seismic exploration on fish, increase safety inspections of offshore oil platforms, and reduce temporary help (\$83,000).

Leasing Stalemate Should Be Resolved by Legislation, Not by the Courts

We recommend that \$100,000 requested to support outside legal counsel be deleted, because the commission's jurisdictional dispute with the Coastal Commission should be resolved by the Legislature through the enactment of legislation, rather than by the courts. We also recommend the enactment of legislation expressly requiring the State Lands Commission to obtain a coastal development permit from the Coastal Commission before leasing state coastal tide and submerged lands for oil and gas exploration and development.

The budget requests \$100,000 from the General Fund for the commission to use in contracting with outside counsel for legal services during 1985-86. These services are intended to bolster the commission's case in its jurisdictional dispute with the Coastal Commission, which began almost

two years ago. In addition to outside counsel, the State Lands Commission (SLC) estimates that it will spend approximately \$35,000 next year for staff counsel costs related to this dispute. During the current year, the commission estimates that it will spend \$122,000 for the same purpose. The Coastal Commission also would be incurring legal expenses to fight this battle, were it not for the fact that it is receiving outside legal counsel services free of charge.

Background of Dispute. The dispute between the two commissions is over whether the State Lands Commission (SLC) must obtain a coastal development permit from the Coastal Commission in order to lease state tide and submerged lands for oil exploration and development. The Coastal Commission contends that a lease is a *development* activity, thus requiring a coastal permit. The SLC, however, claims that leasing decisions are *policy* decisions of the type not subject to approval and permitting by the Coastal Commission.

During 1983, the SLC had planned to lease approximately 40,000 acres of tide and submerged lands in Santa Barbara County between Point Conception and Point Arguello. Although the SLC never acknowledged that the Coastal Commission had permitting authority over its leases, it did agree to make various changes in its lease package in response to Coastal Commission comments. The Coastal Commission granted a permit for the lease on August 23, 1983.

After the permit was granted, Santa Barbara County and several other parties filed suit in Santa Barbara County Superior Court, to rescind the permit on procedural grounds. On October 25, 1983, a judge ordered the Coastal Commission to rescind the permit, and issued an order prohibiting the SLC from conducting any leasing activities until it had received a new coastal permit. On the following day, the Coastal Commission denied the State Lands Commission's request for a new permit covering the SLC's Point Conception lease program. On the advice of both its own staff counsel and the Attorney General's Office, the SLC declined to participate further in the Coastal Commission's permitting process in order to protect its legal position in the appeal of the judge's order.

The case is now in the California Court of Appeals, Second Appellate District, in Ventura. The SLC estimates that the case could continue in the appellate court for one to two more years. If the appellate court's decision is appealed to the State Supreme Court, the SLC estimates that a final resolution to the dispute might be three to four years away.

Additional Oil Development Postponed. When the jurisdictional dispute began 20 months ago, the SLC suspended indefinitely all leasing of state tide and submerged lands off the Santa Barbara County coast. Consequently, the scheduled August 1983 lease of the lands between Point Conception and Point Arguello did not occur, and work on studies needed prior to leasing an additional 70,000 acres of land between Point Arguello and Point Sal has been postponed. The SLC states that it will defer further leasing activity as long as the litigation continues.

Delays Are Costly. The budget indicates that the delays in leasing state tide and submerged lands have prevented the state from collecting bonus payments estimated at \$35.6 million in 1984-85 and \$34.0 million in 1985-86. The dispute also will postpone the potential receipt of revenues from any oil production that would have taken place on the lands that would be leased.

In addition, the SLC indicates that the environmental impact report completed in 1983 for the proposed Point Conception lease sale could

STATE LANDS COMMISSION—Continued

become outdated by 1986, resulting in additional state costs to prepare updated environmental documents and further delay in the receipt of revenues.

The litigation itself is resulting in significant costs to the SLC and the Coastal Commission.

The Legislature, Not the Courts, Should Resolve the Dispute. The jurisdictional issue at stake in dispute hinges on the *Legislature's* intent in passing the Coastal Act. Rather than leave the issue for courts to decide, we believe the Legislature should resolve it directly by clarifying what its intent was. This will avoid the delay, uncertainty, and costs of a long court battle. Furthermore, resolving this dispute *now* through legislation would prevent further delays in the receipt of additional state oil and gas revenues, while insuring that the *Legislature's* coastal protection policies, rather than the courts', are carried out.

In our *Analysis of the 1984 Budget Bill* (please see page 623), we recommended enactment of legislation expressly giving the Coastal Commission authority to permit state offshore leases.

Clearly, litigation between the two state commissions over what the Legislature intended is a waste of state money. Furthermore, it places before the courts an issue that more properly belongs in the Legislature. On this basis, we recommend that:

- The Legislature reduce Item 3560-001-001 by \$100,000, to delete funds for outside legal counsel to pursue the litigation.
- Legislation be enacted explicitly granting to the Coastal Commission permitting authority over offshore leases proposed by the State Lands Commission.

Prelease Study is Not Needed at This Time

We recommend a reduction of \$1,335,000 to eliminate funds for preleasing studies because until the State Lands Commission and the Coastal Commission resolve their jurisdictional dispute, these studies are premature. Furthermore, we recommend that the Legislature direct the commission and the Department of Finance to explain why it was not notified that \$209,000 appropriated in 1983-84 for preleasing studies was redirected.

The budget requests \$1,935,000 from the General Fund for environmental, biological, and geological studies to be conducted in 1985-86. These studies are proposed in anticipation that (1) approximately 70,000 acres of tide- and submerged lands between Point Arguello and Point Sal off the Santa Barbara coast will be leased (\$1,335,000) and (2) four offshore parcels in Santa Barbara and Ventura Counties that previously were leased, but which were quitclaimed by the original lessees in the 1960s and 1970, will be leased (\$600,000). The studies also would collect data that the commission could use in estimating the potential oil and gas reserves on the lands. The commission speculates that the state might receive as much as \$1 billion from these lands over the life of the reserves.

Our analysis indicates that it would be premature for the commission to conduct the preleasing studies of the lands from Point Arguello to Point Sal until its jurisdictional dispute with the Coastal Commission is resolved. Until the dispute is resolved, the nature and extent of the studies that will be required in order to comply with the requirements of the Coastal Act cannot be determined. Moreover, there is the possibility that work done in 1985-86 could become outdated if the issue is not resolved by the

Legislature and litigation drags on. For these reasons, we recommend that the funds requested for these studies be deleted.

The SLC indicates that the jurisdictional dispute probably will not delay the proposed leasing of the four quitclaim parcels. Consequently, we recommend *approval* of the \$600,000 requested for an environmental impact report required before the quitclaim parcels can be leased.

Redirection of 1983-84 Study Funds. The 1983 Budget Act appropriated \$1,185,000 from the General Fund to the commission for essentially the same environmental and geological studies now being proposed. The commission did not spend any of these funds on the studies, pending resolution of the jurisdictional dispute with the Coastal Commission. The commission, however, did spend \$209,000 of the \$1,185,000 appropriated for preleasing studies for *other* purposes. The \$209,000 in redirected expenditures consisted of:

- \$50,000 for outside legal counsel in connection with the jurisdictional dispute,
- \$30,000 for preparation of materials for the lease of lands between Point Conception and Point Arguello,
- \$50,000 to remove hazards in the Petaluma and Sacramento Rivers,
- \$25,000 to develop an information system plan,
- \$24,000 for outside legal counsel to analyze the applicability of litigation by Texas to California's claim on federal offshore oil royalties, and
- \$30,000 for unspecified expenditures.

The Legislature was not given prior notification that these funds were being redirected, as Section 28 of the 1983 Budget Act required.

Conclusion. We recommend that (1) \$1,355,000 requested for preleasing studies of the area from Point Arguello to Point Sal be deleted and (2) the budget subcommittees direct the commission and the Department of Finance to explain why they did not notify the Legislature in advance that \$209,000 would be redirected in 1983-84.

Lessee in Net Profits Contract Should Bear Development Costs

We recommend a \$220,000 reduction to delete contract funds for reservoir simulation studies because it would be more appropriate for the lessee to conduct these studies.

The budget requests \$220,000 for the commission to use in contracting for reservoir simulation studies on state school lands that currently are leased to Geothermal Resources Incorporated (GRI)—a private company. Reservoir simulation studies use data acquired from test geothermal wells and other geological data to estimate the amount and temperature of steam that might be found in the area. No geothermal resources are now being developed on this land. The commission proposes the study to (1) assess future revenue potential in adjacent areas, in order to determine how these areas should be leased and (2) limit the costs of development on the GRI lease and ensure that GRI's drilling strategy is efficient.

The State and GRI Share Costs and Revenue Equally. The state's lease with GRI calls for the two parties to share equally all net revenues that remain after GRI's production costs on the lease have been funded. The commission estimates that development of the geothermal resources underlying the GRI lease could provide an additional \$12 million in revenue per year to the State Teachers' Retirement Fund (STRF).

Since GRI would receive one-half of any additional revenues that might result from further resource development on the leased lands, we believe

STATE LANDS COMMISSION—Continued

it is reasonable for GRI to also pick up one-half of the costs associated with determining the development potential of these lands.

Need for State-Funded Studies Not Demonstrated. The commission states that since the state receives part of the net profits GRI realizes under the lease, the overall cost of operations and development have an immediate and direct impact on state revenues. That is true. It is also true, however, that GRI shares in the net profits, as well. It is reasonable to expect, therefore, that GRI will represent the state's interests simply by representing its own interest.

For these reasons, we recommend a reduction of \$220,000 from the General Fund to delete funds for the proposed reservoir simulation studies.

Computer and Word Processing Request is Premature

We recommend that \$416,000 requested for a new computer and word processing system be deleted, because the commission (1) has not completed a feasibility study report in support of the request and (2) does not have an adequate information systems plan. We also recommend that the commission report to the budget subcommittees on the estimated cost and feasibility of replacing its unreliable computerized royalty accounting system.

The commission requests \$416,000 from the General Fund for a new computer and word processing system to be located at the commission's Long Beach and Sacramento offices.

Current-Year Funding. The 1984 Budget Act appropriated \$200,000 to the commission to replace some of the commission's existing computer and word processing systems. Of this amount, \$120,000 was for word processing equipment in the commission's Sacramento office and \$80,000 was for a minicomputer and word processing equipment at Long Beach.

At the time it requested funds for 1984-85, the commission had not completed either an agency-wide information systems plan (ISP) or a feasibility study report (FSR) for the proposed project. The commission indicated that the request was a "best guess ballpark figure for what it will cost for state-of-the-art EDP equipment to meet the anticipated needs of the agency." In order to provide some accountability for this project, therefore, the Legislature made expenditure of the \$200,000 contingent on completion of an approved FSR to demonstrate the feasibility and cost-effectiveness of any proposed system.

At the time this analysis was written, the commission had not completed its FSR, and the \$200,000 was still unspent.

Budget-Year. The commission has submitted an information systems plan (ISP) to the Department of Finance. This plan, which is the genesis of the commission's budget request for 1985-86, significantly increased the scope and cost of the proposed project. Whereas the commission requested \$200,000 in 1984 for *complete* replacement of its computer and word processing systems (\$80,000 and \$120,000, respectively), the commission now indicates that the purchase and installation of the systems will cost \$860,000 (\$504,000 and \$356,000, respectively)—more than four times what was estimated just one year ago. Moreover, the plan indicates that once the systems are installed, operating costs will be approximately \$192,000 *higher* per year (\$162,000 and \$30,000, respectively).

Although the commission's request for \$416,000 in the budget year is on

top of the \$200,000 provided for the current year, it would still leave the commission \$244,000 short of the amount it estimates is needed.

Analysis. As we indicated in our *Analysis of the 1984 Budget Bill*, the commission's antiquated and unreliable royalty accounting computer in Long Beach and its outdated word processing systems in Long Beach and Sacramento should be replaced. It is especially important that the royalty accounting computer be replaced because the current computer in Long Beach breaks down frequently and is very difficult to repair. Some replacement parts are no longer available for the existing computer. If a breakdown were to occur when oil royalty invoices are being processed by the computer, the state would lose more than \$1,200 per day in interest revenue, due to billing delays.

Nevertheless, we believe the commission's request for funds in 1985-86 is premature. The commission's ISP does not provide the basic information that the Legislature needs in order to review the commission's funding request for computer and word processing systems. Specifically, the ISP does not (1) contain an inventory of existing computer and word processing resources, (2) identify current users and uses of existing or requested data processing resources, or (3) assess the data input and output needs of the commission. For example, although the ISP claims that the commission needs 25 terminals, 20 professional stations, 12 word processing stations, 26 printers, and many other pieces of hardware, it does not indicate *who* would use this equipment or *how* it would be used. Nor does the ISP contain any data on workload.

Without either an adequate ISP or an FSR, we have no basis upon which to substantiate the commission's estimate of what it needs. Consequently, although we continue to believe that the commission needs to update its existing computer and word processing systems, we cannot recommend approval of any funds on top of the \$200,000 appropriated for this purpose in the 1984 Budget Act. Accordingly, we recommend a reduction of \$416,000 to delete funds requested for additional computer and word processing equipment.

Given the potential costs to the state that would result if the existing royalty-accounting computer were out of service for a prolonged period, we further recommend that the commission report to the budget subcommittees on the cost and feasibility of replacing that computer while it endeavors to complete an adequate ISP and FSR.

STATE LANDS COMMISSION—CAPITAL OUTLAY

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

Budget p. R 69

Requested 1985-86	\$50,000
Recommended approval	50,000

ANALYSIS AND RECOMMENDATIONS

Hazard Removal Study

We recommend approval. We further recommend that the Legislature adopt supplemental report language describing the scope and time frame of the study.

The budget proposes \$50,000 to study the removal of abandoned structures which pose hazards to public safety and navigation on state lands. The commission states that it is receiving an increasing number of complaints from the public and various public agencies concerning hazardous conditions on lands under its jurisdiction. For example, the commission indicates that steel pile remnants from abandoned oil company platforms are present on many state beaches. These remnants are hazardous because they protrude slightly above the land surface and are barely noticeable to water and beach users. Other hazards cited by the commission include abandoned mine shafts, unmaintained levees and derelict sea walls.

According to Department of Finance staff, the funds included under this item would be used to identify and inventory all statewide hazards under the jurisdiction of the State Lands Commission, and to prepare a conceptual program for a major capital outlay request that would be submitted to the Legislature next year. We agree that such a study is needed, and should be prepared before the commission requests funding for a project of this magnitude. Consequently, we recommend that the request for funds be approved.

We also recommend that the information submitted to the Legislature include the following:

- Description of all hazardous items and why each one is considered hazardous.
- A statewide priority list identifying each hazard to be removed and the criteria used to determine these priorities.
- Time frames for completing the removal program and a detailed cost estimate for each hazard.
- Identification (where applicable) of those lessees responsible for the hazardous conditions, and a plan to either (1) have the lessee remove the hazard, or (2) recover the state's cost for removal from the lessee.

This study and program should be completed and submitted to the Legislature by November 1, 1985, so that the results can be reviewed in connection with the 1986-87 budget.

Finally, we recommend that the fiscal subcommittees adopt supplemental report language describing the scope and time frame of the study.

SEISMIC SAFETY COMMISSIONItem 3580 from the General
Fund

Budget p. R 70

Requested 1985-86	\$829,000
Estimated 1984-85.....	1,030,000
Actual 1983-84	768,000
Requested decrease (excluding amount for salary increases) \$201,000 (-19.5 percent)	
Total recommended reduction	None

1985-86 FUNDING BY ITEM AND SOURCE

Item—Description	Fund	Amount
3580-001-001—SSC, support	General	\$829,000
3580-001-890—SSC, support	Federal Trust	(375,000)

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS*Analysis
page*

1. Matching Funds for Earthquake Study. Recommend the adoption of Budget Bill language prohibiting expenditure from the General Fund for an Earthquake Preparedness Study unless federal matching funds are received.

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GENERAL PROGRAM STATEMENT

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

OVERVIEW OF THE BUDGET REQUEST

The budget proposes an appropriation of \$829,000 from the General Fund for support of Seismic Safety Commission activities in 1985-86. This is a decrease of \$201,000, or 20 percent, from estimated current-year expenditures. This decrease, however, is substantially offset by \$175,000 from the General Fund made available for 1985-86 by Chapter 1558, Statutes of 1984. Thus, planned General Fund expenditures in the budget year total \$1,004,000, which is \$26,000 less than estimated current-year expenditures. This decrease, moreover, may be offset by the cost of any salary or staff benefit increases approved by the Legislature for the budget year.

The commission's proposed base budget does not include any funds for inflation adjustments to General Fund-supported operating expense and equipment (\$6,000). Presumably, these costs would be financed by diverting funds budgeted for other purposes.

Table 1 summarizes the changes proposed in the commission's budget.

SEISMIC SAFETY COMMISSION—Continued

Table 1
Seismic Safety Commission
1985-86 Budget Changes
(dollars in thousands)

	1984-85 ^a	1985-86		Total	Change from 1984-85 to 1985-86
		General Fund	Federal Funds		
Basic Ongoing Program	\$423	\$423	—	\$423	—
<i>Limited-Term Programs</i>					
1. Bay Area Earthquake Study	759	375	\$375	750	-\$9
2. Western States Conference	12	—	—	—	-12
3. Coalinga Study (Ch 1191/83)	57	—	—	—	-57
4. Southern California Earthquake Preparedness Program	40	—	—	—	-40
5. Technical Training	—	31	—	31	+31
6. California Earthquake Education Act (Ch 1558)	175	175	—	175	—
Total Program Expenditures	\$1,466	\$1,004	\$375	\$1,379	-\$87
Less Federal Funds, and prior year balance avail- able from General Fund	-436	-175	-375	-550	-114
Net, General Fund	\$1,030	\$829	—	\$829	-\$201

^a General Fund and federal funds

Two Limited-Term Programs Continue in Budget Year

In addition to the commission's base budget of \$423,000, the budget includes funds for two limited-term projects established through legislation during the current year.

Chapter 313, Statutes of 1984, appropriated \$375,000 for the purpose of furthering comprehensive earthquake preparedness in California. The commission has implemented this program as a joint project with the Office of Emergency Services (OES). It is providing administrative management for development of the Bay Area Earthquake Preparedness Project, and the OES is providing management for the development of a similar project in southern California. The five positions related to this special project are limited in term to June 30, 1987.

Chapter 1558, Statutes of 1984, enacted the California Earthquake Education Act of 1984. This statute authorizes the commission to contract with the University of California to carry out the statewide program of earthquake safety education and preparedness. The statute also appropriated \$525,000 from the General Fund to the commission. These funds are to be allocated in equal amounts of \$175,000 for the fiscal years 1984-85 through 1986-1987.

ANALYSIS AND RECOMMENDATIONS

We recommend that the Legislature adopt Budget Bill language prohibiting expenditure of state funds for the Bay Area Earthquake Preparedness Project unless federal matching funds are received.

The budget includes \$375,000 from the General Fund and \$375,000 in estimated federal funds to continue work on the Bay Area Earthquake Preparedness Project in 1985-86.

In the past, the Legislature has made the expenditure of state funds for projects of this type contingent upon the receipt of federal matching funds. This policy was followed throughout the term of the Southern California Earthquake Preparedness Project. The Budget Bill, however, does not contain language limiting the expenditure of the \$375,000 in General Fund money requested for the Bay Area Project.

Consistent with legislative policy in the past, we recommend that the following language be added to the Budget Bill under Item 3580-001-001: "Provided that the \$375,000 appropriated in this item for support of the Bay Area Earthquake Preparedness Project shall be made available only upon receipt of matching federal funds."

Resources Agency

DEPARTMENT OF FISH AND GAME

Item 3600 from the General Fund and various special funds

Budget p. R 72

Requested 1985-86	\$75,354,000
Estimated 1984-85.....	68,725,000
Actual 1983-84	56,821,000
Requested increase (excluding amount for salary increases) \$6,629,000 (+9.6 percent)	
Total recommended reduction	2,438,000

1985-86 FUNDING BY ITEM AND SOURCE

Item—Description	Fund	Amount
3600-001-001—Support—Nongame Species and environmental protection programs, maintenance and operation of ecological reserves and wildlife areas.	General	\$4,726,000
3600-001-036—Upper Newport Bay	Special Account for Capital Outlay	\$2,706,000
3600-001-140—Support—Nongame species and environmental protection programs, maintenance and Operation of Ecological Reserves and Wildlife Areas	California Environmental License Plate Fund	9,813,300
3600-001-200—Support	Fish and Game Preservation	57,253,000
3600-001-890—Support	Federal Trust	(11,836,000)
3600-001-940—Salmon Restoration Projects	Renewable Resources Investment	856,000
Total		\$75,354,000

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

Analysis page

1. Staff Reductions. Recommend department report at budget hearings on the 56.6 positions that the budget proposes to eliminate, identifying the specific positions to be abolished and the workload efficiencies that permit these reductions. 478
2. Fish and Game Preservation Fund Deficit. Recommend 479

DEPARTMENT OF FISH AND GAME—Continued

that during budget hearings, the Department of Finance and Department of Fish and Game report to the fiscal committees on the administration's plans for increasing revenues or reducing expenditures in order to avoid a budget-year deficit in the Fish and Game Preservation Fund.

3. Upper Newport Bay Wetlands. Recommend (1) approval of \$2,706,000 requested for restoration work and (2) adoption of Budget Bill language requiring that before any funds are spent, (a) the State Public Works Board approve allocation of these funds and (b) the department obtain a commitment from local agencies to provide the funding needed to construct three additional sediment control basins in San Diego Creek upstream from the bay. 482
4. *Department of Fish and Game and Federal Land Habitat Development Projects. Reduce Item 3600-001-140 by \$2.3 million.* Recommend deletion of funds for maintenance, restoration, and improvement projects on DFG-owned and federal lands because these projects can be financed from \$12.1 million in bonds funds currently available to the Wildlife Conservation Board. 484
5. *Endangered Species Program Funding Shift. Reduce Item 3600-001-001 by \$411,000 and Item 3600-001-140 by \$175,000, increase Item 3600-001-200 by \$586,000.* Recommend reduction in support from the General Fund and the Environmental License Plate Fund and a corresponding increase in expenditures from the special endangered species income tax check-off account in Fish and Game Preservation Fund to (a) use surplus funds available in the special account in order to shift the source of funding for endangered species programs as required by Ch 1162/84 and Ch 1240/84, and (b) provide Legislature with additional budgetary flexibility. 484
6. *Commercial Salmon Trollers Enhancement Account. Reduce Item 3600-001-200 by \$138,000.* Recommend reduction so as to keep proposed expenditures within current revenue estimates for commercial salmon trollers stamp sales in 1985-86. 486

GENERAL PROGRAM STATEMENT

The Department of Fish and Game administers programs and enforces laws pertaining to the fish and wildlife resources of the state. The Fish and Game Commission, which is composed of five members appointed by the Governor, sets policies to guide the department in its activities, and regulates the sport taking of fish and game under a delegation of authority from the Legislature, pursuant to the Constitution. Although the Legislature has granted authority to the commission to regulate the sport taking of fish and game, it generally has reserved for itself the authority to regulate the commercial taking of fish and game.

The department has 1,552 personnel-years of staff in the current year.

Table 1
Department of Fish and Game
Budget Summary
1983-84 through 1985-86
(dollars in thousands)

Program	Personnel-Years			Expenditures			Change 1985-86 over 1984-85	
	Actual	Authorized	Proposed	Actual	Estimated	Proposed	Amount	Percent
	1983-84	1984-85	1985-86	1983-84	1984-85	1985-86		
Enforcement of laws and regulations	352	403.5	400.5	\$20,985	\$23,359	\$24,528	\$1,169	5.0%
Wildlife management.....	219.2	223.5	206.5	12,596	17,494	23,769	6,275	35.9
Inland fisheries	227.7	284.2	282.2	13,782	15,990	16,249	259	1.6
Anadromous fisheries.....	225.1	208.6	207.6	12,943	15,073	16,694	1,621	10.8
Marine resources.....	91.4	124.5	123.5	5,442	6,468	6,570	102	1.6
Environmental services.....	100.8	85.6	85.6	5,408	6,681	6,497	-184	-2.8
Administration (distributed to other programs)	229.5	222.5	184.9	(11,298)	(12,580)	(13,772)	(1,192)	(9.5)
Unallocated reduction for merit salary increases and operating expenses	—	—	—	—	—	-35	—	—
Totals	1,445.7	1,552.4	1,490.8	\$71,156	\$85,065	\$94,272	\$9,207	10.8%
<i>Source of Funds:</i>								
Fish and Game Preservation Fund	—	—	—	\$47,721	\$54,038	\$57,253	\$3,215	5.9
General Fund.....	—	—	—	3,400	6,790	4,726	-2,064	-30.4
Environmental License Plate Fund.....	—	—	—	3,723	6,660	9,813	3,153	47.3
Other special funds ^a	—	—	—	1,977	1,237	3,684	2,447	198.0
Federal funds.....	—	—	—	9,137	10,499	11,836	1,337	12.7
Reimbursements	—	—	—	5,198	5,841	6,960	1,119	19.2

^a Special Account for Capital Outlay in the General Fund, Renewable Resources Investment Fund, Resources Account in the Energy and Resources Fund.

DEPARTMENT OF FISH AND GAME—Continued**OVERVIEW OF THE BUDGET REQUEST**

The budget requests appropriations of state funds totaling \$75,354,000 for support of the Department of Fish and Game in 1985-86. This amount is \$6,629,000, or 9.6 percent, above estimated expenditures from state funds in the current year. This increase will grow by the amount of any salary or staff benefit increases approved for the budget year.

The budget does not include \$35,000 of the amount needed for merit salary adjustments (\$5,000 in 1985-86) or inflation adjustments for operating expenses and equipment (\$30,000). Presumably, these costs will be financed by diverting funds budgeted for other purposes.

The department proposes total expenditures from all sources of \$94,272,000 in 1985-86, 10.8 percent more than the estimated current-year amount. These expenditures would be financed by the \$75,354,000 requested from state funds in the Budget Bill, \$11,836,000 in federal funds, \$6,960,000 in reimbursements, and \$122,000 appropriated by Ch. 1104/79 from the Renewable Resources Investment Fund for salmon and steelhead projects.

Cost of Wildlife Management Program Increasing

Table 1 summarizes the department's expenditures by program and sources of funds, for the past, current, and budget years. The table shows that total expenditures proposed for 1984-85 are 32 percent greater than actual expenditures in 1983-84. Almost one-half of this increase has taken place in the wildlife management program, which includes the management of wildlife areas and ecological preserves. Proposed for this program in 1984-85 expenditures are 89 percent greater than actual expenditures for this purpose in 1983-84.

During this same two-year period, the percentage of the department's spending supported from the Fish and Game Preservation Fund will be reduced from 67 percent to 61 percent. Virtually all of the slack will be taken up by the Environmental License Plate Fund which will provide 10 percent of the department's budget in 1985-86, compared with 5.2 percent in 1983-84.

Proposed Budget Changes for 1985-86

Table 2 summarizes the changes in the department's budget for 1985-86, by funding source. The table shows the following workload and administrative adjustments to the department's 1984-85 budget:

- Deletion of \$1,967,000 from various sources, including \$762,000, from the General Fund for various one-time costs incurred in the current year, but not continued in 1985-86.
- Increases totaling \$2,086,000 from various sources for merit salary adjustments (\$236,000), the annualized cost of the 1984-85 salary and benefit increase for DFG employees (\$524,000), inflation adjustments for operating expenses and equipment (\$1,469,000), and Attorney General charges (\$247,000).
- Increases totaling \$2,832,000 for various base adjustments in programs and activities supported through federal funds (\$1,689,000) and reimbursements (\$1,143,000).

Table 2
Department of Fish and Game
Proposed Budget Changes by Fund
1985-86
(dollars in thousands)

	<i>Fish & Game Preser- vation Fund</i>	<i>General Fund</i>	<i>Environ- mental License Plate Fund</i>	<i>Other State Funds</i>	<i>Federal Funds</i>	<i>Reim- burse- ments</i>	<i>Total</i>
1984-85 Expenditures (revised)	\$54,038	\$6,790	\$6,660	\$1,237 ^a	\$10,499	\$5,841	\$85,065
Proposed Changes:							
Workload and Administrative Adjust- ments:							
1. Deletion of one-time costs	-604	-762	-601	—	—	—	-1,967
2. Salary and Benefit Increase	432	58	13	—	21	—	524
3. Merit Salary Adjustment (MSA)	151	7	18	57 ^a	30	—	263
4. Operating expenses and equipment — inflation adjustments	1,019	76	156	—	205	13	1,469
5. Attorney General Charges	188	59	—	—	—	—	247
6. Base Adjustment in Federal Fund Al- locations and Reimbursed Projects..	—	—	—	—	1,689	1,143	2,832
Program Changes:							
1. Reduction in Pittman-Robertson funds (-21 PYs)	-173	—	—	—	-518	—	-691
2. "Priority Planning" and "Efficiency Reductions" (-55.6 PYs)	-347	-8	—	—	-67	-37	-459
3. Deer Plan Implementation (+10 PYs)	900	—	—	—	—	—	900
4. Striped Bass Enhancement	573	—	—	—	—	—	573
5. Duck Stamp Projects	190	—	—	—	—	—	190
6. Ocean Resources Enhancement and Hatchery Program	100	—	—	—	—	—	100
7. Endangered Species Tax Checkoff Program	100	—	—	—	—	—	100
8. Upper Newport Bay Wetlands Resto- ration	—	-1,914	—	2,706 ^b	—	—	792
9. Habitat Improvement—Federal Lands	—	—	1,000	—	—	—	1,000
10. DFG Wildlife Areas/Ecological Re- serves—O&M Costs (+5 PYs)	—	200	1,300	—	—	—	1,500
11. Elkhorn Slough Sanctuary—Opera- tions	—	166	—	—	—	—	166
12. Salmon Habitat Improvement— Fund Shift	—	—	445	-336 ^a	—	—	109
13. Local Wildlife Enhancement and Educational Projects	—	—	752	—	—	—	752
Other Minor Changes	686	54	70	20 ^a	-23	—	807
1985-86 Expenditures (Proposed)	\$57,253	\$4,726	\$9,813	\$3,684	\$11,836	\$6,960	\$94,272
Change from 1985-86:							
Amount	\$3,215	-\$2,064	\$3,153	\$2,447	\$1,337	\$1,119	\$9,207
Percent	5.9%	-30.4%	47.3%	198%	12.7%	19.1%	10.8%

^a Renewable Resources Investment Fund.

^b Special Account for Capital Outlay in the General Fund.

DEPARTMENT OF FISH AND GAME—Continued**ANALYSIS AND RECOMMENDATIONS**

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

- Elimination of 21 personnel-years of staff and \$691,000 due to reductions in federal Pittman-Robertson funds (\$518,000) and state matching funds (\$173,000 from the Fish and Game Preservation Fund). These reductions include the elimination of 15 positions at seven DFG wildlife areas.
- An increase of \$900,000 from the Fish and Game Preservation Fund and ten personnel-years for implementation of deer herd management plans financed with deer tag revenues.
- Increases totaling \$863,000 from the Fish and Game Preservation Fund for striped bass enhancement projects financed with the special striped bass fishery stamp (\$573,000), waterfowl habitat development projects financed with duck stamp revenues (\$190,000), and ocean fishery resource enhancement projects (\$100,000).
- Increases of \$200,000 from the General Fund and for five new management staff positions to manage wildlife areas and \$166,000 from the General Fund for operation of the Elkhorn Slough wildlife sanctuary.
- An increase of \$445,000 from the ELPF, partially offset by a reduction of \$336,000 from the Renewable Resources Investment Fund (RRIF), to increase (by \$109,000) and shift the source of support for salmon habitat improvement projects performed by the California Conservation Corps and through contracts with nonprofit groups.
- Increases totaling \$752,000 from the ELPF to fund wildlife enhancement projects proposed by local agencies and recommended by the Resources Agency. The projects consist of the Coyote Point Museum Wildlife Center (\$200,000), the San Francisco Zoo Bird of Prey Center (\$175,000), the Buena Vista Lagoon Nature Center (\$165,000), the Santa Cruz Predatory Bird Research Group (\$150,000) and the North San Diego County Coastal Marsh Management (\$62,000).

Staff Reductions Due to Workload Efficiencies

We recommend that the department report to the fiscal subcommittees at the time of budget hearings on (1) which specific positions and programs will be reduced if the proposal to eliminate 56.6 personnel-years of staff is approved and (2) the specific workload efficiencies that would permit these reductions.

The budget proposes to eliminate 56.6 personnel-years of staff as part of the administration's program to reduce the number of state employees. These proposed reductions consist of (1) six permanent positions from various programs, (2) 32.5 personnel-years of temporary help, and (3) increased salary savings equivalent to 17.1 personnel-years. Elimination of these 55.6 personnel-years would result in combined savings of \$459,000 to various funds.

The budget indicates that these positions will be eliminated due to "various program and workload efficiencies". The department, however, has not explained to the Legislature what effect these staff reductions will have on the quality and cost of individual DFG programs and activities. Consequently, the Legislature has no basis on which it can conduct a meaningful evaluation of the proposed reductions. We therefore recom-

mend that prior to budget hearings the department (1) report to the fiscal committees on what specific positions and programs will be reduced as a result of these staff reductions and (2) identify the specific workload efficiencies that make these reductions possible.

Fish and Game Preservation Fund Is In The Red

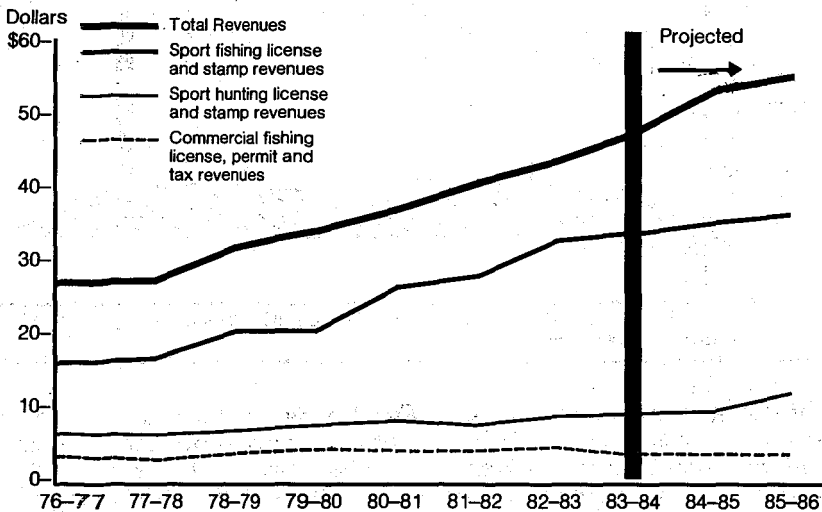
We recommend that during budget hearings, the Department of Finance and the Department of Fish and Game report on the administration's plans for increasing revenues or reducing expenditures in order to avoid a deficit in the Fish and Game Preservation Fund during 1985-86.

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

Revenue Trends. Since 1978, state law has authorized DFG to administratively increase fees for 15 categories of sport fishing and hunting licenses and permits each year. These increases cannot exceed a cost-adjustment factor determined by the Department of Finance.

Between 1978-79 and 1983-84, sport fishing revenues increased by 62 percent. The increase was due primarily to fee increases; the number of fishing licenses sold during this period essentially was constant. In contrast, revenues from the sale of hunting licenses increased by only 25

Chart 1
Department of Fish and Game
Fish and Game Preservation Fund
Trends in Major Revenue Components
1976-77 through 1985-86 (in millions)



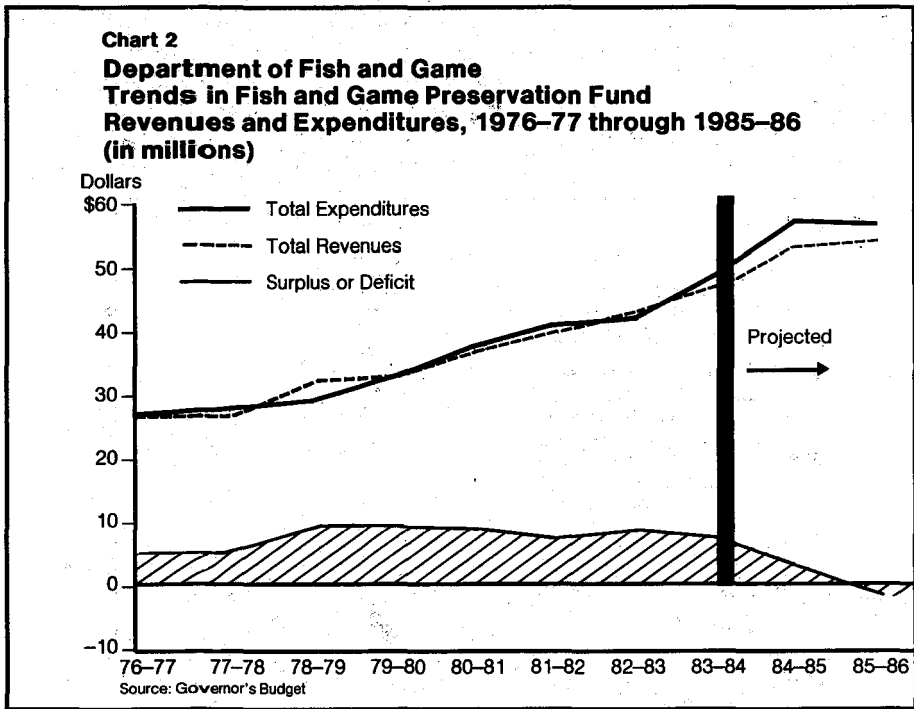
Source: Governor's Budget

DEPARTMENT OF FISH AND GAME—Continued

percent between 1978-79 and 1983-84, and revenues from commercial fishing and other types of licenses (which may only be raised by statute) have not grown at all, due in part to declining license sales and reduced commercial fishing tax payments. These trends are illustrated in Chart 1.

1985-86 Expenditures Exceed Revenues. As Chart 2 shows, expenditures from the Fish and Game Preservation Fund recently have been increasing faster than revenues. As a result, the fund's surplus has dwindled from about \$9.5 million at the end of 1978-79 to an estimated \$3.1 million at the end of the current year.

In 1985-86, the budget proposes total expenditures *before* any salary or benefit increases of \$57.5 million from the Fish and Game Preservation Fund, or \$2.8 million more than the estimated amount of revenue. Thus, even if there is no increase in salaries or benefits, the budget's expenditure program would virtually eliminate the \$3.1 million surplus, leaving \$362,000 in the account on June 30, 1986.



Reserves Are Not Adequate to Fund A Salary Increase. The projected surplus of \$362,000 probably is not adequate to finance the employee compensation that the Governor's Budget proposes. We are advised by DFG that a 6.5 percent salary increase would cost the fund about \$2 million. If funding for a 6.5 percent compensation increase is added to the

level of expenditures proposed in the budget, the Fish and Game Preservation Fund would end 1985-86 with a deficit of \$1.6 million, as illustrated in Chart 2.

Reserve Cannot Meet The Fund's Cash-Flow Needs. In addition, the \$362,000 reserve is much less than the \$3 million the department indicates is necessary to provide for its cash flow needs.

Intrafund Borrowing Masks Deficits. The DFG indicates that the Department of Finance has authorized it to *borrow* for general departmental purposes approximately \$5.5 million from special accounts within the Fish and Game Preservation Fund. These accounts receive revenues from *special* permit fees, such as the \$7.50 duck stamp and the \$3.50 striped bass stamp, plus proceeds from the new state income tax refund check-off for endangered species. These revenues, however, can only be used for the limited purposes authorized by the Legislature; they cannot be used to fund general departmental expenditures. The budget does not indicate how the "borrowed" dedicated revenues are to be repaid.

If the budget did not borrow these dedicated revenues, *expenditures would have to be reduced by \$5.2 million in 1985-86 in order to avoid a deficit in the fund.* When the cost of a 6.5 percent increase in employee compensation is recognized, the gap between expenditures and revenues becomes \$7.1 million.

Prospects for 1986-87 and Beyond. The prospects for the Fish and Game Preservation Fund beyond the budget year are even worse. In addition to the widening gap between expenditures for the department's existing programs and revenues, the department will have to manage and operate a significant amount of additional property and facilities as a result of the Wildlife Conservation Board's major land acquisition and development program that is now underway.

Fiscal Plan Needed. Thus, it appears likely that the administration will have to either (1) seek legislation to raise license fees and commercial fishing tax rates, (2) make major reductions in program expenditures, or (3) shift support for some existing programs or activities from the Fish and Game Preservation Fund to other funding sources, such as the General Fund or the Environmental License Plate Fund. The budget, however, gives no clue as to the direction the administration intends to go. The budget document merely states that "the department will review the need for legislation during the current legislative session to authorize increased fees if necessary to provide sufficient cash flow to avoid a potential deficit during the 1986-87 fiscal year". Thus, the Legislature is faced with a budget that is not whole. The additional management responsibilities probably will increase the department's ongoing costs substantially as acquisition and development projects are completed.

Before the Legislature can act on the department's budget for 1985-86, DFG and the Department of Finance must identify how the administration intends to improve the condition of the Fish and Game Preservation Fund. Accordingly, we recommend that prior to budget hearings DFG and the Department of Finance advise the fiscal committees of the administration's plans for:

- Repaying the \$5.5 million in dedicated revenues which would be borrowed in 1985-86 to fund general program expenditures and departmental operations.
- Financing any increase in employee compensation for the budget year.
- Ensuring that the fund has an adequate reserve for cash-flow purposes.

DEPARTMENT OF FISH AND GAME—Continued

In the event the administration decides that a reduction in support expenditures is necessary, we further recommend that the department identify in advance (1) the specific programs that would be affected by the proposed reductions and (2) the impact that these reductions will have on DFG's ability to carry out existing law and to provide services to those who pay license fees and taxes into the Fish and Game Preservation Fund.

Upper Newport Bay Wetlands Restoration—Unit II Work

We recommend (1) approval of \$2,706,000 requested from the Special Account for Capital Outlay for continuation of wetland restoration and sediment control work at Upper Newport Bay, and (2) adoption of Budget Bill language (a) requiring the state Public Works Board (PWB) to approve the allocation of these funds before the funds can be spent and (b) prohibiting allocation of the funds until local agencies have provided the necessary funding for construction of three additional sediment control basins in San Diego Creek upstream from the bay.

The budget requests \$2,706,000 from the Special Account for Capital Outlay in the General Fund to finance the state's share of second-year, or Unit II, costs associated with completing the dredging and removal of sediment from Upper Newport Bay in Orange County. In addition, the budget indicates that the Irvine Company, City of Newport Beach, Orange County, and City of Irvine will provide matching funds totaling \$930,000 (roughly 25 percent), making a total of \$3,636,000 in state and local funds available for this project in 1985-86. The work to be undertaken as part of Unit II includes the removal of approximately 481,000 cubic yards of sediment, and restoration of 35 acres of wetland.

The 1984 Budget Act appropriated \$1,914,000 from the General Fund to the department to cover the state's share of Unit I costs. In addition, local governments and the Irvine Company are providing \$887,000 for Unit I.

By the time the project has been completed, a total of 1,221,000 cubic yards of sediment will have been removed. The project will increase tidal flushing of the bay to improve water quality, provide additional sediment holding capacity, facilitate future maintenance dredging, and reduce the amount of sediment that reaches the lower portion of the bay.

Background. Upper Newport Bay includes 757 acres of state-owned property that is operated by the DFG as an ecological reserve. Prior to state acquisition of the property, a dike was constructed at the upper end of the bay to create salt ponds. As a result, most of the upper part of the reserve has not been open to tidal action from the lower bay for several decades. In addition, the upper portion of the bay has become overgrown with riparian vegetation due to agricultural operations and construction activity on lands upstream which have caused large volumes of sediment to be deposited into the bay by San Diego Creek.

Comprehensive Sediment Control Plan. The dredging and restoration of Upper Newport Bay is one of six elements comprising the *Newport Bay Watershed—San Diego Creek Comprehensive Storm Water Sedimentation Control Plan*. This plan was prepared in 1983 for the cities of Irvine and Newport Beach and the Southern California Association of Governments, pursuant to Section 208 of the federal Water Pollution Control Act of 1972.

In addition to the dredging of the upper bay, the plan also calls for the construction and maintenance of three new sediment control basins in San Diego Creek, upstream from Upper Newport Bay. These basins will prevent additional sediment from entering the upper bay during periods of peak storm flows in San Diego Creek, thereby reducing the ongoing cost of maintenance dredging in the bay itself. The comprehensive plan indicates that removal of sediment captured in these three basins will cost only \$3 per ton, compared with \$7.50 per ton for sediment removed from the bay. The estimated cost for constructing these three in-channel basins is \$2.0 million to \$2.5 million.

In 1983, DFG and the local agencies signed a cooperative agreement for implementing the comprehensive sediment control plan. Under the agreement, local government will finance all construction and ongoing maintenance costs associated with the upstream basins, while DFG will pay 75 percent of the restoration *and* ongoing maintenance costs of Upper Newport Bay.

Orange County, the Irvine Company, and the Cities of Tustin and Newport Beach last year agreed to finance preliminary engineering work needed to develop design specifications and cost estimates for the three new sediment basins. This engineering work is to be completed during the spring of 1985, so that (1) the proper amount of funding for construction can be included in the 1985-86 Orange County budget and (2) construction contracts can be awarded and work commenced during the Spring of 1986.

Release of State Funds Should Be Made Contingent on Local Funding for Sediment Control Basins. After completion of Unit II and the major wetland restoration work, the state will continue to bear the maintenance costs associated with dredging in the bay. The level of these costs will depend primarily on (1) the frequency and intensity of major storm flows in San Diego Creek and (2) whether local agencies complete installation of the three additional sediment basins within the creek.

Because construction of the sedimentation basins is an important element of the comprehensive plan and will reduce future state maintenance costs in the bay, we recommend that the Legislature adopt Budget Bill language making allocation of \$2,706,000 requested in the budget contingent on the commitment of local funds for construction of the sedimentation basins (as called for by the existing cooperative agreement between local agencies and DFG).

We further recommend that allocation of that \$2,706,000 for Upper Newport Bay restoration be made subject to approval by the State Public Works Board (PWB). The PWB generally is responsible for allocating funds for, and monitoring the progress of, capital outlay projects. The restoration work in Upper Newport Bay is essentially a capital outlay project (although it is budgeted as support). The Legislature also required PWB approval for the allocation of Unit I funds during the current year.

Accordingly, we recommend approval of the \$2,706,000 contained in Item 3600-001-036, and adoption of the following Budget Bill language:

1. Funds for Upper Newport Bay wetlands restoration and dredging work (a) shall be subject to allocation by the state Public Works Board, pursuant to Section 13332.11 of the Government Code and Chapter 808, Statutes of 1982, except that the project shall be exempt from review by the Office of State Architect and the board may not augment the amount appropriated for the project and (b) shall be for Unit II work to dredge approximately 481,000 cubic yards of

DEPARTMENT OF FISH AND GAME—Continued

sediment and restore 35 acres of wetlands. The total estimated cost of \$3,636,000 shall be financed from the \$2,706,000 appropriated in this item and \$930,000 in funds from nonstate sources.

2. None of the \$2,706,000 appropriated by this item may be allocated by the board until the Director of Fish and Game provides the board with written certification that local agencies have committed all necessary funds for construction of the three additional sediment control basins within San Diego Creek described in the 1983 *Newport Bay Watershed—San Diego Creek Comprehensive Stormwater Sedimentation Control Plan*.

Habitat Development and Maintenance Projects for DFG and Federal Lands

We recommend that \$2.3 million requested for various habitat improvement projects from the Environmental License Plate Fund (ELPF) be deleted because the Wildlife Conservation Board has sufficient funds to finance these projects without any additional appropriation.

The budget requests \$2.3 million from the Environmental License Plate Fund (ELPF) to finance a variety of habitat development, restoration, and maintenance projects on lands owned by the Department of Fish and Game (DFG) and the federal government. This amount consists of (1) \$1.3 million for 28 projects in 18 wildlife areas, ecological reserves and other properties managed by DFG and (2) \$1 million for 71 habitat improvement projects on federal lands administered by the U.S. Forest Service or the Bureau of Land Management.

Projects Eligible for 1984 Bond Act Funds. These projects appear to be eligible for funding from the 1984 Fish and Wildlife Habitat Enhancement (Bond) Fund, Chapter 1589, Statutes of 1984, appropriated \$12.1 million from this bond fund to the Wildlife Conservation Board (WCB). This money has not been appropriated for specific projects and the WCB has not provided any specific list of proposals for spending money. Thus, as we indicate in our analysis of the WCB (please see page 487), most or all of the \$12.1 million probably will not be spent by the board during the current year.

In order to increase the Legislature's fiscal flexibility to achieve its priorities through the budget, we recommend that (1) the DFG seek funding for these habitat improvement projects from the WCB, and (2) \$2,300,000 be deleted from Item 3600-001-140. This will make an additional \$2.3 million available for allocation by the Legislature from the ELPF.

Statutorily-Mandated Funding Shift for Endangered Species Program Not Reflected in Budget.

We recommend a reduction of \$586,000 (\$411,000 in Item 3600-001-001 and \$175,000 in Item 3600-001-140) and a corresponding increase in support from the Rare Fish, Wildlife, and Plant Species Conservation and Enhancement Account in the Fish and Game Preservation Fund (Item 3600-001-200) to (1) use surplus funds available in this special account in order to shift the source of funding for DFG's administration of the Endangered Species Act as required by Ch 1162/84 and Ch 1240/84, and (2) provide the Legislature with additional flexibility to meet its own budget priorities.

The budget specifically identifies a total of \$1,730,000 in expenditures from various sources for programs and activities pertaining to rare, threatened or endangered species. These funds are reflected in the following

DFG programs: (1) enforcement of statutory and administrative regulations prohibiting the possession, importation, sale or destruction of endangered species (\$168,000); (2) management and research on the status and distribution of wildlife species classified by the Fish and Game Commission as "rare, threatened, or endangered", plus disease investigations (\$1,133,000); and (3) similar management and research activities on classified inland fish species (\$429,000).

For these three program elements the department advises that the \$1,730,000 will be provided from the following sources:

- Environmental License Plate Fund (ELPF)—\$750,000
- General Fund—\$411,000
- Fish and Game Preservation Fund—\$232,000
- Federal Funds—\$313,000
- Reimbursements—\$24,000

State Income Tax Check-off Program. The \$232,000 provided from the Fish and Game Preservation Fund for endangered species work includes \$100,000 from state income tax check-off revenues deposited in the Rare Fish, Wildlife, and Plant Species Conservation and Enhancement Account created by Ch 1058/83. This legislation authorizes state taxpayers to voluntarily designate or "check off" a portion of their state income tax refunds for deposit into the special account. Chapter 1058 authorized the use of the account for (1) programs for animals and plant species designated as "rare" or "endangered," (2) related conservation and enhancement programs, and (3) programs for other "candidates" species being considered for designation by the Fish and Game Commission.

1984 Changes to California Endangered Species Act. Last year the Legislature enacted Ch 1162/84 and Ch 1240/84 which, among other things, requires the department to pay all costs for administering the California Endangered Species Act from the Endangered and Rare Fish, Wildlife, and Plant Species Conservation and Enhancement Account.

DFG Does not Plan to Spend All Available Income Tax Check-off Revenues. For 1985-86, the budget indicates that the department expects to receive \$525,000 in revenue from the income tax check-off. In addition the DFG estimates it will have carryover revenues of \$504,000 from current and past-year revenues. This will make a total of \$1,029,000 in tax check-off funds available to carry out the Endangered Species Act. The department, however, has proposed to spend only \$340,000 for this purpose in 1985-86. We are advised that these funds would be used for three purposes: (1) unspecified habitat restoration and enhancement projects (\$120,000), (2) public education projects (\$120,000), and (3) survey and monitoring work by DFG for determining the current status of candidate and currently designated rare and endangered species (\$100,000). (Of these amounts, only the \$100,000 for survey and inventory work is identified in the budget). The remaining reserve of \$689,000 would not be spent in 1985-86.

No Fund Shift Reflected in Budget. The budget does not indicate that the department has taken any action to fund all of the costs of the California Endangered Species Act with the tax check-off funds as required by Ch 1162/84 and Ch 1240/84.

Recommendation. The Legislature has mandated that DFG shift support for the California Endangered Species Act to the income tax check-off account and there is a projected surplus of \$689,000 which will be available in this account during 1985-86. Accordingly, we recommend that support from General Fund and the ELPF be reduced by \$586,000

DEPARTMENT OF FISH AND GAME—Continued

and that the amount appropriated from the Fish and Game Preservation Fund be increased by the same amount. This would leave a reserve of \$103,000, or 10 percent of total estimated resources, in the special account to (1) finance the cost of any salary increases that may be authorized and (2) allow for any shortfall in estimated revenues. The shift of \$586,000 in program costs will also increase the amount of the reserve in ELPF which increases the Legislature's flexibility in using these funds to meet its own budgetary priorities. Specifically, we recommend a reduction of \$411,000 in Item 3600-001-001 to delete General Fund support and \$175,000 in Item 3600-001-140 to reduce ELPF support for endangered species programs and a corresponding increase of \$586,000 in Item 3600-001-200 to provide these funds from tax check-off revenue.

Salmon Enhancement Program—Expenditures Exceed Anticipated Revenues

We recommend that \$138,000 requested from the Fish and Game Preservation Fund for salmon improvement projects be deleted, in order to make proposed expenditures from the account consistent with current revenue estimates. (Reduce Item 3600-001-200 by \$138,000.)

The budget requests \$557,000 from the Fish and Game Preservation Fund for salmon restoration and enhancement projects authorized by Ch 184/82. This legislation established the Commercial Salmon Trollers Enhancement and Restoration Program and requires licensed commercial salmon fishermen to purchase a special commercial salmon stamp which currently costs \$55. Proceeds from the sale of this commercial salmon stamp are deposited in a special dedicated account in the Fish and Game Preservation Fund.

For the budget year, the department estimates that it will only have about \$419,000 in special account revenues available for salmon enhancement projects authorized by Ch 184/82. Accordingly, we recommend that the budget be reduced by \$138,000 (\$557,000 less \$419,000) in order to make proposed expenditures consistent with anticipated resources in the commercial salmon trollers stamp account.

DEPARTMENT OF FISH AND GAME—CAPITAL OUTLAY

Item 3600-301 from the Fish and Game Preservation Fund

Budget p. R 85

Requested 1985-86	\$251,000
Recommended approval	251,000

ANALYSIS AND RECOMMENDATIONS

Minor Projects

We recommend approval.

The budget requests \$251,000 from the Fish and Game Preservation Fund for two Department of Fish and Game minor capital outlay projects in 1985-86. One project (\$200,000) would construct a new 2,700 square-foot building at the Central Valley's Hatchery Lab to provide laboratory space for the new striped bass/opossum shrimp testing facility, and office

space for the hatchery. The second project (\$51,000) would remodel space on the 12th floor of the Resources Building to provide an additional 6,817 square feet of office space for the Department of Fish and Game. This space will be vacated in April 1986 by the Public Employees' Retirement System, upon completion of its new facility in downtown Sacramento. Our review of these projects indicates that the scope and cost are reasonable and we recommend approval.

**Resources Agency
WILDLIFE CONSERVATION BOARD**

Item 3640 from the Wildlife
Restoration Fund

Budget p. R 88

Requested 1985-86	\$496,000
Estimated 1984-85.....	515,000
Actual 1983-84	448,000
Requested decrease (excluding amount for salary increases) \$19,000 (-3.7 percent)	
Total recommended reduction	None

GENERAL PROGRAM STATEMENT

The Wildlife Conservation Board (WCB) was created in 1947. It acquires property to protect and preserve wildlife and to provide fishing, hunting, and recreational access facilities.

The board is composed of the Director of Fish and Game, the Chairman of the Fish and Game Commission, and the Director of Finance. In addition, three members of the Senate and three members of the Assembly serve in an advisory capacity to the board.

The board's support activities are financed through appropriations from the Wildlife Restoration Fund, which annually receives \$750,000 in horseracing license revenues. The Wildlife Restoration Fund also receives reimbursements for those projects that are eligible for grants from the federal Land and Water Conservation Fund.

The board has nine staff positions authorized in the current year.

OVERVIEW OF THE BUDGET REQUEST

The budget proposes an appropriation of \$496,000 from the Wildlife Restoration Fund to support the Wildlife Conservation Board (WCB) during 1985-86. This is \$19,000, or 3.7 percent, less than estimated current-year expenditures. Budget-year expenditures, however, will increase by the amount of any salary or staff benefit increases approved for 1985-86.

ANALYSIS AND RECOMMENDATIONS

We recommend approval.

The decrease in expenditures is due to a \$25,000 reduction in pro rata charges billed to the Wildlife Restoration Fund for central administrative services and indirect overhead costs. Without this adjustment, proposed budget-year expenditures would increase by \$6,000, or 1 percent, due to salary increases and inflation adjustments.

Our analysis indicates that the request is reasonable, and we recommend that it be approved as budgeted.

WILDLIFE CONSERVATION BOARD—CAPITAL OUTLAY

Item 3640-301 from various funds

Budget p. R 91

Requested 1985-86	\$18,820,000
Recommended approval	950,000
Recommended reduction	17,870,000

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

Analysis page

1. *Land Acquisition and Development. Reduce Item 3640-301-140 by \$3,000,000; Item 3640-301-447 by \$770,000; Item 3640-301-722 by \$2,000,000 and Item 3640-301-748 by \$9,100,000.* Recommend deletion of \$14,870,000 requested for project planning, habitat acquisition or development, because (1) the WCB cannot effectively spend this amount of money in 1985-86, (2) a large amount of carry-over funds will be available to continue the board's capital outlay program in 1985-86, (3) adequate information is not available on the scope and cost of specific development projects, and (4) the cumulative effect of staffing reductions and the condition of the Fish and Game Preservation Fund call into question the Department of Fish and Game's ability to manage existing and newly acquired or developed properties. 490
2. *Wildlife Restoration Fund—Minor Projects.* Recommend (1) approval of Item 3640-301-477 (2) for minor capital outlay, and (2) adoption of supplemental report language describing the scope and amount of funds budgeted for each of the nine projects proposed. 493
3. *Parklands Fund of 1984—Fishing Piers. Reduce Item 3640-301-722(1) by \$3 million.* Recommend deletion of requested funds because no information or cost estimates on proposed projects is available. 493

OVERVIEW OF THE BUDGET REQUEST

The budget proposes \$18,820,000 for various capital outlay projects to be undertaken by the Wildlife Conservation Board. These funds are contained in four separate appropriations as shown in Table 1:

Table 1
Wildlife Conservation Board
Proposed Appropriation for Capital Outlay
1985-86
(dollars in thousands)

<i>Item Number</i>	<i>Source</i>	<i>Amount</i>
3640-301-140	California Environmental License Plate Fund	\$3,000
3640-301-447	Wildlife Restoration Fund	1,720
3640-301-722	Parklands Bond Fund of 1984.....	5,000
3640-301-748	Fish and Wildlife Enhancement Bond Fund	9,100
Total		\$18,820

The proposed uses of these funds are as follows:

- For unspecified land acquisition and development projects to provide ecological reserves (\$3 million from the Environmental License Plate Fund).
- For 10 land acquisition projects (\$750,000), nine minor capital outlay development projects (\$950,000), and project planning (\$20,000)—financed from the Wildlife Restoration Fund.
- Unspecified coastal fishing pier projects (\$3 million) and wildlife-oriented public use projects (\$2 million)—financed from the Parklands Bond Fund of 1984.
- For various unspecified acquisition, enhancement and development projects benefiting marshlands and aquatic habitat (\$5 million), rare, endangered fully-protected species (\$3 million), and restoration of waterways for management of fisheries, riparian areas, and wildlife habitat (\$1 million), plus project planning (\$100,000)—financed from the Fish and Wildlife Habitat Enhancement Bond Fund.

All four items contain language specifying that any funds appropriated by the Legislature will not be subject to State Public Works Board review because of provisions contained in the Wildlife Conservation Law of 1947. In addition, Item 3640-301-748 contains language indicating that the funds allocated for project planning are not intended for use in establishing any additional positions.

Table 2 summarizes the board's requests and our recommendations on each appropriation or line item category:

Table 2
Wildlife Conservation Board
1985-86 Capital Outlay Program
(dollars in thousands)

<i>Item/Project</i>	<i>Phase^a</i>	<i>Budget Bill Amount</i>	<i>Analyst's Recom- mendation</i>
Fish and Wildlife Enhancement Fund (Item 3640-301-748):			
(1) Acquisition, enhancement or development of marsh—or wetlands—for waterfowl or other wildlife	apwc	\$4,000	—
(2) Restoration of fisheries and enhancement or development of other wildlife habitat	apwc	1,000	—
(3) Acquisition, enhancement and development of marshlands and adjacent lands for wildlife habitat inside the coastal zone	apwc	1,000	—
(4) Acquisition, enhancement and development of habitat for rare, endangered or fully-protected species	apwc	3,000	—
(5) Project Planning	p	100	—
Parklands Fund of 1984 (Item 3640-301-722):			
(1) Development, rehabilitation or restoration of property for coastal fishing piers	pwc	3,000	—
(2) Acquisition, development, rehabilitation or restoration of property for coastal fishing piers	pwc	2,000	—
California Environmental License Plate Fund (Item 3640-301-140):			
(1) Acquisition and development of ecological reserves	apwc	3,000	—
Wildlife Restoration Fund (Item 3540-301-447):			
(1) Acquisition	a	750	—
(2) Project planning	p	20	—
(3) Minor projects	pwc	950	950
Totals		\$18,820	

^a Phase symbols indicate: a = acquisition, p = preliminary plans, w = working drawings and c = construction.

WILDLIFE CONSERVATION BOARD—CAPITAL OUTLAY—Continued**ANALYSIS AND RECOMMENDATIONS****Land Acquisition and Development Projects**

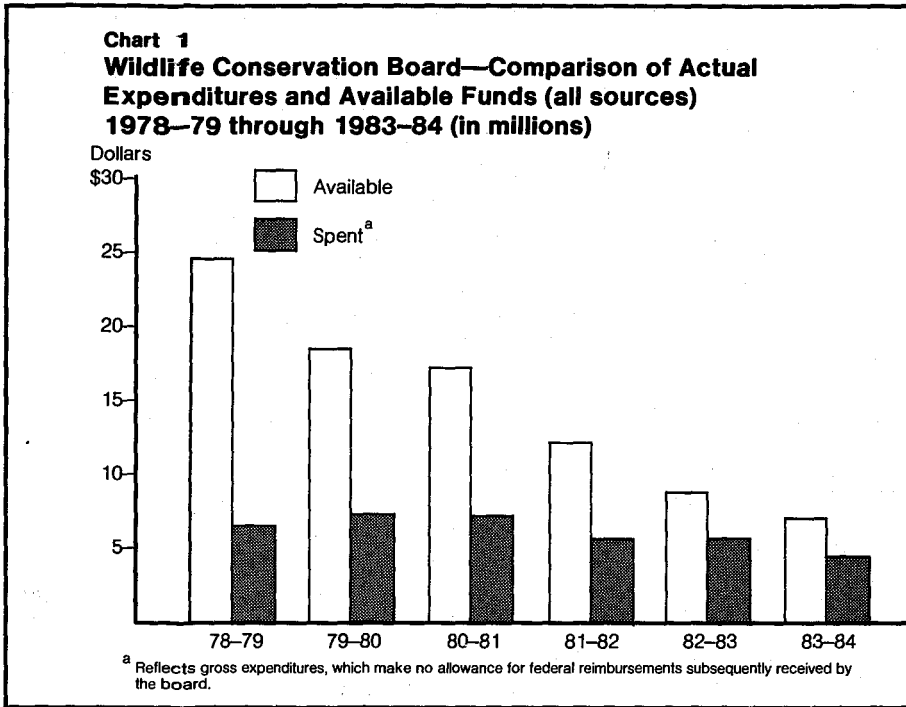
We recommend a total reduction of \$14,870,000 requested from various funds for project planning, habitat acquisition and development, because (1) the total amount requested for capital outlay is \$11.5 million more than the WCB has been able to spend in any recent years, (2) the WCB will have a large amount of carry-over funds available from prior appropriations to support its capital outlay program, (3) the scope and cost of specific development projects has not been identified, and (4) the Department of Fish and Game may not have adequate personnel or funds to properly manage either its existing properties or newly acquired lands in future years, given the condition of the Fish and Game Preservation Fund and the cumulative effect of staff reductions. (Reduce Item 3640-301-140 by \$3,000,000; Item 3640-301-447 by \$770,000; Item 3640-301-722 by \$2,000,000; and Item 3640-301-748 by \$9,100,000).

The budget for the WCB requests a total of \$14 million for either acquisition or development projects. Of this amount, (1) \$9 million is requested from the Fish and Wildlife Habitat Enhancement (Bond) Fund, (2) \$3 million is requested from the Environmental License Plate Fund (ELPF), and (3) \$2 million is requested from the Parklands (Bond) Fund of 1984 for unspecified fishing pier projects. The budget, however, does not schedule any of these funds for, nor does it indicate how the money would be split between acquisition and development.

In addition, the budget requests \$750,000 from the Wildlife Restoration Fund for a preliminary list of 10 acquisition projects and the budget includes a total of \$120,000 for project planning.

We recommend deletion of the entire amount proposed (\$14,870,000). At the time this analysis was prepared, the Legislature had not been provided with the information it needs in order to (1) assure that the amount requested is needed and can be used effectively, (2) determine the effects of proposed capital outlay expenditures in future years, and (3) confirm the Department of Fish and Game's ability to operate and maintain these projects. In addition, we have the following specific concerns with the request:

1. *The total amount requested for WCB capital outlay (\$18,820,000) is \$11.5 million more than what the WCB has spent for capital outlay in any recent year.* Chart 1 compares the amount of capital outlay funds available with the amount actually spent, as reported in Governor's Budgets. During this six-year period, the most that the WCB has been able to spend was approximately \$7.3 million (1979-80). Even so, its expenditures totaled less than 40 percent of the \$18,396,000 in capital outlay appropriations available in that year. In 1983-84, capital outlay expenditures were only \$4,477,000, even though \$7,040,000 was available. There is no reason to believe that the WCB can increase expenditures by more than 400 percent while *maintaining* its staff at nine positions.



2. *The WCB probably will have a large amount of carry-over funds in 1985-86 from prior appropriations.* The budget indicates that the WCB has a total of \$26,427,000 available for capital outlay during the current year. This is \$19.1 million more than the largest amount spent by the board in any of the previous six years. Nevertheless, the budget estimates that *all* of these funds will be spent during the current year.

Our analysis indicates that this is highly unlikely to occur. In all probability, a significant portion of the \$26.4 million will be carried over into 1985-86 and remain available for expenditure by the board. This conclusion is based on two factors other than the board's experience in prior years: (1) the limited size of the board's staff and (2) the board's practice of budgeting capital outlay funds on a program and contingency basis, rather than for specific acquisition or development projects. Although this type of budgeting allows the WCB maximum flexibility, it means that the board does not have a large inventory of well-developed project proposals ready for implementation.

Since a large carry-over into 1985-86 is likely, the board may not need any additional funds to support its capital outlay program next year.

3. *Without knowing which specific development projects are proposed, the Legislature is not able to evaluate these projects as part of the budget process, nor can it determine the operating and maintenance (O & M) costs that these projects will impose on the budget in future years.*

Generally, we believe the Legislature needs specific information about the scope and cost of individual projects in order to decide how much

WILDLIFE CONSERVATION BOARD—CAPITAL OUTLAY—Continued

should be appropriated for each capital outlay program. In the past, the Legislature has not required the WCB to schedule specific acquisition projects in the Budget Bill or to provide information on individual acquisitions in order to give the WCB maximum flexibility to (1) purchase property only from willing sellers and (2) redirect funds to other projects when agreement with a particular seller cannot be reached.

As drafted, the 1985-86 Budget Bill carries this flexibility one step further in making capital outlay funds available to the WCB for either acquisition or development. The only information available from the board on the proposed expenditure of these funds is contained in (1) a preliminary list identifying 31 potential acquisition projects, totaling 13,702 acres, and 21 development projects to be supported by the Fish and Wildlife Enhancement Fund, and (2) a second list, prepared last summer, identifying 32 possible acquisition projects, totaling 23,136 acres, with an estimated cumulative cost of \$10,717,000, which would be supported from the Environmental License Plate Fund.

We believe that even if it does not wish to schedule acquisition projects, the Legislature should insist that specific information be provided on proposed development projects and schedule funds for specific projects in the Budget Bill. This is because (1) development projects affect the use and usefulness of property owned by the state and (2) some projects may have important implications for state operations and maintenance costs in the future. Previously, the WCB has been able to identify and justify its proposed development projects, and these projects have been scheduled in the Budget Bill. However, such is not the case for 1985-86.

4. The Department of Fish and Game (DFG) may not have adequate personnel or funds to properly manage either its existing properties or newly acquired lands in future years, given the current status of the Fish and Game Preservation Fund and the cumulative effect of staff reductions within the DFG.

For 1985-86, the department is proposing the elimination of (1) 15 positions currently assigned to seven of DFG's wildlife areas and (2) 32.5 person-years of unallocated temporary help. In addition, the department was required during the current fiscal year, to eliminate a total of 55 person-years of staff as part of the administration's policy to reduce the number of state employees.

At the same time that the DFG is losing field staff and temporary help, it is exhausting the revenues available in the Fish and Game Preservation Fund. The fund's condition has deteriorated to such an extent that (1) the department lacks the funds needed to cover the costs of any salary increase that may be authorized by the Legislature for 1985-86 and (2) DFG proposes to borrow approximately \$5.6 million in surplus revenues from dedicated special accounts within the fund to support its operations during the budget year. At the time this analysis was prepared, the department had no plans for repaying any of these borrowed funds or augmenting revenues to the Fish and Game Preservation Fund.

Unless DFG can increase its revenues, or obtain additional funds from other sources during the budget year, still more spending cuts and staff reductions will need to be made in 1985-86.

Conclusion. For these reasons, we conclude that the amount requested for capital outlay and related project planning is neither needed to continue the program at a reasonable level, nor adequately justified.

Accordingly, we recommend that the Legislature delete \$14,750,000 requested for capital outlay and \$120,000 requested for planning. In the event that additional information is provided to address the concerns raised above, we will reconsider our recommendation.

Minor Projects

We recommend (1) approval of \$950,000 requested in Item 3640-301-447(2) for minor projects, and (2) adoption of supplemental report language describing the scope and amount of funds budgeted for each of the nine proposed projects, in order to ensure that the funds are used in accordance with legislative intent.

The budget proposes \$950,000 from the Wildlife Restoration Fund for nine minor capital outlay projects (\$200,000 or less per project) in Item 3640-301-447(2). These projects involve the construction, repair or renovation of public facilities financed by the board and operated by local agencies. The specific project proposals were developed by local agencies and consist of the following:

- Sacramento River Docks (Sacramento County)—\$200,000
- Gualala River Public Access (Sonoma County)—\$150,000
- Pardee Reservoir Public Access (Amador County)—\$130,000
- Elk River Spit Public Access (Humboldt County)—\$110,000
- Smith River Public Access (Del Norte County)—\$80,000
- Point St. George Public Access (Del Norte County)—\$40,000
- Pebble Beach Public Access (Del Norte County)—\$50,000
- Hideman Slough Public Access (Sonoma County)—\$40,000
- Hoffman Park Interpretative Center (Sacramento County)—\$150,000

For each of the projects, preliminary engineering work, administration of construction contracts and purchase of materials, will be managed by the local agency.

Our analysis indicates that the proposed amounts are reasonable and we recommend approval of the \$950,000 requested for minor capital outlay. For purposes of project definition and control, however, we recommend that supplemental report language be adopted at the time of budget hearings describing the scope and amount of funds budgeted for each project.

Parklands Fund of 1984—Fishing Piers

We recommend deletion of Item 3640-301-722(1), rehabilitation and restoration of property for coastal fishing piers, for a reduction of \$3 million, because the funds are being budgeted on a contingency basis and no information has been provided that identifies the cost or scope of any project to be carried out using the requested funds.

The budget proposes to appropriate \$3,000,000 to the board from the Parklands (Bond) Fund of 1984 in Item 3640-301-722(1) to be used for unspecified coastal fishing pier development projects. This is the entire amount authorized for this purpose in the California Park and Recreational Facilities Act of 1984 (Proposition 18), which was approved by the voters in June, 1984.

The board indicates that the funds will be used to develop proposals and construct projects in conjunction with local agencies. A maximum of \$500,000 would be allocated per pier, and matching funds of at least an equal amount would be required from local sources.

WILDLIFE CONSERVATION BOARD—CAPITAL OUTLAY—Continued

On this basis, it appears that a minimum of six pier development or restoration projects could be accomplished with the funds requested. However, the actual number of projects to be supported is unknown because the budget does not identify or schedule specific amounts for individual projects. Consequently, the Legislature has no information on the scope and cost of the pier projects, their location, the need for the projects, or the amount of local matching funds.

In the past, the capital outlay request for the WCB has scheduled specific pier projects, thereby allowing the Legislature to conduct a meaningful review of the board's budget request. Without this type of project information, we are unable to advise the Legislature as to (1) the amount of money needed for pier projects, or (2) how the WCB intends to spend the \$3,000,000 requested. Consequently, we have no basis on which to recommend approval of the requested amount, and therefore recommend that Item 3640-301-722(1) be deleted, for a savings of \$3,000,000.

The Resources Agency

DEPARTMENT OF BOATING AND WATERWAYS

Item 3680 from the General Fund, and Special Funds

Budget p. R 92

Requested 1985-86	\$30,055,000
Estimated 1984-85.....	25,430,000
Actual 1983-84	25,433,000
Requested increase (excluding amount for salary increases) \$4,625,000 (+ 18.2 percent)	
Total recommended reduction	650,000

1985-86 FUNDING BY ITEMS AND SOURCE

Item—Description	Fund	Amount
3680-001-001 Support	General	\$836,000
3680-001-516 Support	Harbors and Watercraft Revolving Fund	3,387,000
3680-001-890 Support	Federal Trust	(250,000)
3680-101-001 Local assistance, beach erosion control	General	1,600,000
3680-101-140 Local assistance, environmental enhancement and protection	Environmental License Plate	600,000
3680-101-516 Local assistance, boating facilities and law enforcement	Harbors and Watercraft Revolving Fund	23,632,000
3680-101-890 Local assistance, boating facilities and law enforcement	Federal Trust	(2,750,000)
Total		\$30,055,000

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

Analysis page

1. *Sacramento River Front Project. Reduce Item 3680-101-140 by \$150,000. Recommend reduction to bring the department's contribution within 75 percent of project costs.*

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2. Grants for Boating Enforcement and Safety. Recommend adoption of Budget Bill language specifying the criteria to be used by the department in distributing the \$750,000 in federal funds proposed by the budget. 497
3. *Loan for Private Marina Development. Reduce Item 3680-101-516(f) by \$500,000.* Recommend reduction because the request has not been justified. 498

GENERAL PROGRAM STATEMENT

The Department of Boating and Waterways (1) constructs boating facilities for the state park system and State Water Project reservoirs, (2) makes loans to public and private marina operators to finance the development of small craft harbors and marinas, (3) makes grants to local agencies to finance boat launching facilities, boating safety, and law enforcement, (4) conducts a boating education program, (5) licenses yacht and ship brokers and for-hire vessel operators, (6) coordinates the work of other state and local agencies and the U.S. Army Corps of Engineers in implementing the state's beach erosion control program, and (7) serves as the lead state agency in controlling water hyacinth in the Sacramento-San Joaquin Delta and the Suisun Marsh.

The department has 59.4 personnel-years of staff in the current year.

Table 1
Department of Boating and Waterways
Budget Summary
1983-84 through 1985-86
(dollars in thousands)

Program	Personnel-Years			Expenditures			Change 1985-86 over 1984-85	
	Actual 1983-84	Esti- mated Proposed		Actual 1983-84	Esti- mated Proposed		Amount	Percent
		1984-85	1985-86		1984-85	1985-86		
Boating Facilities	19.4	20.5	19.2	\$18,604	\$17,262	\$24,818	\$7,556	44%
Boating Operations	21.8	23.0	22.0	4,843	5,812	5,816	4	0.07
Beach Erosion Control	3.0	3.0	3.0	2,475	3,396	2,443	-953	-28
General management (distributed to other programs)	12.0	12.9	12.9	(530)	(602)	(642)	(40)	7
Unallocated General Fund reduc- tion ^a	—	—	—	—	—	-7	—	—
Totals	56.2	59.4	57.4	\$25,992	\$26,470	\$33,070	\$6,600	25%
<i>Source of Funds:</i>								
General Fund	—	—	—	\$216	\$3,121	\$2,436	-\$685	-22%
Harbors and Watercraft Revolving Fund	—	—	—	22,958	22,034	27,019	4,985	23
Other Funds ^b	—	—	—	2,748	1,315	3,615	2,300	175

^a Deletes General Fund merit salary adjustments and inflation adjustments for operating expenses and equipment.

^b California Environmental License Plate Fund, Resources Account—Energy and Resources Fund, and Federal Trust Fund.

DEPARTMENT OF BOATING AND WATERWAYS—Continued**OVERVIEW OF THE BUDGET REQUEST**

The budget proposes appropriations totaling \$30,055,000 from the General Fund, the Harbors and Watercraft Revolving Fund (HWRV), and the Environmental License Plate Fund (ELPF) to the Department of Boating and Waterways for support and local assistance in 1985-86. This is an increase of \$4,625,000, or 18.2 percent, from estimated current-year expenditures of state funds. This increase will grow by the amount of any salary or staff benefit increases approved by the Legislature for the budget year.

The budget does not include any funds for the estimated amount of merit salary adjustments (\$2,000), or inflation adjustments for operating expenses and equipment (\$5,000) in 1985-86. Presumably, these costs will be financed by diverting funds budgeted for other purposes.

The budget proposes total expenditures of \$33,070,000 in 1985-86, including expenditures from federal funds. This is an increase of \$6,600,000, or 25 percent, from current-year total expenditures. The proposed increase in total expenditures is more than the increase in state funds due to a \$1,975,000 increase in federal funds anticipated for 1985-86.

Table 1 summarizes staffing and expenditures for the department during the period 1983-84 through 1985-86. Table 2 shows the changes in the department's budget proposed for 1985-86, by funding source.

Table 2
Department of Boating and Waterways
Proposed Budget Changes
1985-86
(dollars in thousands)

	General Fund	Harbors & Water- craft Revolving Fund	Environ- mental License Plate Fund	Federal Funds and Reim- bursements	Total
1984-85 Expenditures (Revised)	\$3,121	\$22,034	\$275	\$1,040	\$26,470
A. Changes in Loan and Grant Programs:					
1. Loans to public agencies for marina development	—	5,550	—	—	5,550
2. Loans to private recreational marinas	—	325	—	—	325
3. Grants to local governments:					
a. Boat launching facilities	—	-901	—	2,000	1,099
b. Boating safety and law enforce- ment	—	—	—	93	93
c. Beach erosion control	-1,285	—	-275	—	-1,560
d. Environmental enhancement, Sacramento River Front	—	—	600	—	600
B. Beach erosion control studies	600	—	—	—	600
C. Miscellaneous adjustments	—	11	—	-118	-107
1985-86 Expenditures (Proposed)	\$2,436	\$27,019	\$600	\$3,015	\$33,070
Change from 1984-85:					
Amount	-\$685	\$4,985	\$325	\$1,975	\$6,600
Percent	-22%	23%	118%	193%	25%

ANALYSIS AND RECOMMENDATIONS**Local Match for Sacramento River Front Project**

We recommend that the amount requested from the Environmental License Plate Fund for the Sacramento River Front project be reduced by \$150,000 in order to keep the state's share of total project costs within 75

percent, consistent with the policy generally followed for erosion control projects. (Reduce Item 3680-101-140 by \$150,000.)

The department is requesting \$600,000 from the Environmental License Plate Fund for environmental enhancement and protection of Miller Park in the City of Sacramento. The funds will be used for bank erosion control and revegetation along the Sacramento River.

The department is proposing to fund the full cost of the Sacramento River Front project. This is inconsistent with the department's long-standing policy of requiring local agencies to provide at least 25 percent of the total cost for erosion control projects. While the erosion being controlled in this case is along a riverbank, rather than along a coastal or bay shoreline, the project would seem to be of the type that warrants a local match.

We, therefore, recommend a reduction of \$150,000 in Item 3680-101-140, in order to reduce state funding to 75 percent of the total project costs.

Grants for Boating Enforcement and Safety

We recommend that the Legislature adopt Budget Bill language in Item 3680-101-890 specifying priorities for the distribution of \$750,000 in federal funds to local governments for boating enforcement and safety.

The department requests \$3,950,000 to fund grants for local boating safety and enforcement programs in 1985-86. This amount consists of \$3,200,000 from the Harbors and Watercraft Revolving Fund (HWRF) and \$750,000 in federal funds from motorboat fuel taxes.

Department Criteria for Distributing Funds. The department distributes the state and federal grant funds according to different criteria. The department's allocation of funds from the HWRF to local boating safety and enforcement programs is governed by the Harbors and Navigation Code (Section 663.7), which requires that:

1. The department calculate the total cost of each local government's boating safety and enforcement needs based on (a) the number of square miles of boating waters within its jurisdiction, (b) the amount of boating use (boats per square mile) requiring safety patrols, and (c) the enforcement cost per boat.

2. The amount of aid should equal the difference between (a) the calculated need and (b) the local revenues derived from personal property taxes on boats and fees charged for inspection of vessels.

In addition to the statutory requirements, the department has adopted a policy of providing state funds only to those local governments that spend *all* of their local boating revenues on boating-related programs.

In contrast, the department allocates federal funds for boating enforcement and safety primarily to those local governments that do not receive state aid because they do *not* spend all of their local boating revenue on boating safety and enforcement.

Department's Rationale for Criteria. The Supplemental Report to the 1984 Budget Act directed the department to report on its rationale for using different criteria to distribute state and federal funds. The department's report, entitled "Distribution of Federal Motorboat Fuel Tax", indicates that federal funds are distributed to local governments that do *not* spend their available boating revenue on boating-related activities because:

1. As a result of the passage of Proposition 13, local governments have more demands on boating revenues.

2. There is a need for increased boating enforcement by these local governments.

DEPARTMENT OF BOATING AND WATERWAYS—Continued

3. The department's policy allows approximately 60 more local governments to receive financial assistance than would otherwise be the case.

Our analysis of the department's report indicates that the criteria used by the department to distribute federal funds for boating safety and enforcement are not adequate. These criteria do not consider (1) the *need* for boating enforcement, (2) the *ability* to satisfy that need from local boating revenue, and (3) the level of local *effort* to meet the need for boating enforcement. Given the Legislature's policies regarding the allocation of *state* assistance, it would seem that the allocation of federal funds should consider these factors. To bring the department's policies for distributing federal funds more in line with the policies governing state funds, we recommend that the Legislature adopt the following Budget Bill language for Item 3680-101-890:

"Of the amount appropriated by this item, \$750,000 is for grants to local governments for boating safety and law enforcement and shall be allocated by the department in accordance with the following priorities:

"1. To local governments eligible for state aid because they are spending all their local boating revenue on boating enforcement and safety, but are not receiving sufficient state funds to meet their calculated need as defined in Section 663.7 of the Harbors and Navigation Code.

"2. To local governments that are not spending all local boating revenue on boating enforcement and safety, and whose boating revenue does not equal their calculated need. Local assistance should not exceed the difference between the calculated need and local boating revenue.

"3. To local governments whose boating revenue exceeds their need, but who are not spending sufficient local revenue to meet their calculated need."

Loans for Private Marina Development

We recommend that \$500,000 requested for private marina loans be deleted because the department has not specified what projects would be funded with these funds. (Reduce Item 3680-101-516(f) by \$500,000.)

The budget requests \$500,000 from the Harbors and Watercraft Revolving Fund for loans to private recreational marinas. This is an increase of \$325,000, or 186 percent, over current-year expenditures of \$175,000.

The department has not specified what projects will be funded with the \$500,000. Absent this information, we have no basis for recommending approval of this request. We therefore recommend deletion of \$500,000 requested from Item 3680-101-516(f).

Loans for Public Marinas

We recommend approval.

The budget requests \$16,900,000 in 1985-86 from the Harbors and Watercraft Revolving Fund (Item 3680-101-516) for small craft harbor loans to local governments. This is an increase of \$5,550,000, or 49 percent, over current-year expenditures of \$11,350,000.

As shown in Table 3, the requested amount consists of \$16,800,000 for 10 harbor development project loans and \$100,000 for statewide planning loans. Our review indicates that the projects and the amounts requested for them are justified, and we recommend that the budget request be approved.

Table 3
Small Craft Harbor Loans
1985-86

<i>Projects</i>	<i>County</i>	<i>Status</i>	<i>Amount</i>
Antioch Marina.....	Contra Costa	Phase II	\$3,000,000
Avalon Harbor.....	Los Angeles	Improvements	500,000
Berkeley Harbor.....	Alameda	Improvements	2,000,000
Crescent City.....	Del Norte	Improvements	250,000
Moss Landing.....	Monterey	Improvements	950,000
Oyster Point Marina.....	San Mateo	Phase II	3,000,000
Planning Loans.....	Statewide	Unspecified	100,000
Sacramento Boat Harbor.....	Sacramento	Expansion	2,000,000
Seabridge Marina.....	Orange	New	2,000,000
South Beach.....	San Francisco	Phase III	400,000
Vallejo Marina.....	Solano	Phase II	2,700,000
Total.....			\$16,900,000

Launching Facility Grants

We recommend approval.

The budget requests \$5,032,000 in 1985-86, for grants to local governments for construction of boat launching ramps, restrooms, and parking areas. This amount consists of \$3,032,000 from the HWRF (Item 3680-101-516) and \$2,000,000 in federal funds (Item 3680-101-890). The specific projects to be funded are shown in Table 4. Our review indicates that the projects and the amounts requested for them are justified. Accordingly, we recommend that the requested funds be approved.

Table 4
Launching Facility Grants
1985-86

<i>Projects</i>	<i>County</i>	<i>Status</i>	<i>Amount</i>
Alameda Ramp.....	Alameda	Improvements	\$83,000
Lake Alpine.....	Alpine	Improvements	137,000
Cuttings Wharf.....	Napa	Improvements	45,000
Diaz Lake.....	Inyo	New facility	235,000
El Capitan.....	San Diego	New facility	353,000
Floating Restrooms.....	Statewide	Improvements	150,000
Hell Hole Res.....	Placer	Improvements	202,000
Hogback Island.....	Sacramento	Improvements	127,000
Huntington Beach.....	Orange	New facility	370,000
Jenkinson Lake.....	El Dorado	New facility	365,000
Mayflower Park.....	Riverside	Improvements	70,000
McIntyre Co. Park.....	Riverside	New facility	236,000
Point Arena.....	Mendocino	New facility	500,000
Port San Luis.....	San Luis Obispo	New facility	238,000
Ramp repairs and modifications.....	Statewide	Improvements	100,000
Rush Creek.....	Trinity	New facility	103,000
Lake San Antonio.....	Monterey	Improvements	217,000
Silver Lake.....	Mono	New facility	215,000
Skinner Lake.....	Riverside	Improvements	140,000
Sutherland Res.....	San Diego	New facility	283,000
Tannery Gulch.....	Trinity	Improvements	158,000
Ventura Marina.....	Ventura	New facility	180,000
Lake Webb.....	Kern	New facility	525,000
Total.....			\$5,032,000

DEPARTMENT OF BOATING AND WATERWAYS—Continued**Beach Erosion Control**

We recommend approval.

The objective of the Beach Erosion Control Program is to mitigate coastal erosion and to develop shoreline protection measures. The program involves cooperative efforts with federal, state, and local agencies in connection with both research and erosion control projects.

The Beach Erosion Control Program is supported by the General Fund. For 1985–86, the department requests \$836,000 (Item 3680-001-001), consisting of \$600,000 for five erosion control studies and \$236,000 for program administration. The budget also requests \$1,600,000 (Item 3680-101-001) from the General Fund to provide grants to three local governments for erosion control projects. The erosion control projects consist of (1) Glorietta Bay Project—San Diego County (\$500,000), (2) Santa Cruz Accessways—Santa Cruz County (\$350,000), and (3) Whaler Island—Del Norte County (\$750,000). Our analysis indicates that the amounts requested for the proposed projects and research studies are justified, and we recommend that the funds be approved.

Harbors and Watercraft Revolving Fund

The *Supplemental Report of the 1984 Budget Act* directed the Department of Boating and Waterways to report to the fiscal committees and the Joint Legislative Budget Committee by October 1, 1984, on “(1) the potential for reducing boating fees and (2) alternative means for using surplus balances in the Harbors and Watercraft Revolving Fund.”

The department’s report, entitled “Report on Boating Fees and Fund Balances” was submitted October 1, 1984. The department states in the report that there are no “surplus” funds in the Harbors and Watercraft Revolving Fund (HWRF). The report explains that the department invests revenue from the HWRF that is not needed for day-to-day cash purposes in the Surplus Money Investment Fund which is administered by the State Treasurer’s Office. According to the department, “the term surplus money is a misnomer in that these funds are surplus to current cash needs but are not surplus to program needs, and in the case of the HWRF, these funds represent valid commitments under legal contract with cities, counties, and districts.”

Therefore, the department concludes that reducing boating fees is *not* appropriate because the department’s revenue does *not* exceed its needs. In addition, the department states that the current use of the HWRF is the best use of these funds, based on past studies indicating that there is a serious statewide shortage of boating facilities.

DEPARTMENT OF BOATING AND WATERWAYS—CAPITAL OUTLAY

Item 3680-301 from the Harbors and Watercraft Revolving Fund

Budget p. R 99

Requested 1985-86	\$1,291,000
Recommended approval	634,000
Recommended reduction	657,000

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

Analysis page

1. *El Dorado Beach—Land Acquisition. Reduce Item 3680-301-516(1) by \$592,000.* Recommend reduction because of the uncertainty over when or if the property can be developed. 501
2. *Minor Projects. Reduce Item 3680-301-516(3) by \$65,000.* Recommend reduction because of the uncertainty over when construction will be permitted at Kings Beach State Recreation Area. 502

ANALYSIS AND RECOMMENDATIONS

The budget requests \$1,291,000 from the Harbors and Watercraft Revolving Fund (HWRF) for capital outlay projects proposed by the Department of Boating and Waterways in 1985-86. The funds will be used to develop boating facilities in the state park system, at state water project reservoirs, and at other state-owned land.

(1) El Dorado Beach—Land acquisition..... \$592,000

We recommend that \$592,000 requested for land acquisition near El Dorado Beach be deleted because it is uncertain when or if construction will be permitted by the Tahoe Regional Planning Agency.

The department is requesting \$592,000 to acquire 1.66 acres near El Dorado Beach Park in the City of South Lake Tahoe to provide additional parking for the existing boat launching ramp at Lake Tahoe.

El Dorado Beach Park is operated and maintained by the City of South Lake Tahoe. The proposed acquisition would be owned by the state, but operated and maintained by the city as part of the park.

Although additional boater-access parking in South Lake Tahoe appears to be needed, the proposed acquisition is premature. As a result of lawsuits filed against the Tahoe Regional Planning Agency (TRPA), the federal district court issued a preliminary injunction in June 1984 essentially halting the issuance of building permits. Construction of the parking lot would require a building permit. The injunction could continue in effect for several years if the TRPA's appeal of the decision, which is scheduled to be heard during May 1985, is unsuccessful in lifting the injunction. In addition, a permit to construct a parking lot may not be approved even after the injunction is lifted because the project may be inconsistent with the final Regional Plan.

In sum, there is a high level of uncertainty over *when*—or even—*if* the proposed land acquisition could be developed as a parking lot. We therefore recommend deletion of the \$592,000 requested from Item 3680-301-

DEPARTMENT OF BOATING AND WATERWAYS—CAPITAL OUTLAY—Continued

516(1) for the El Dorado Beach project. If the injunction is lifted, we will reevaluate this proposal.

(2) Project Planning \$20,000

We recommend approval.

The budget requests \$20,000 for use in evaluating proposed projects and preparing budget estimates for 1986-87. The amount requested is reasonable.

(3) Minor Projects \$679,000

We recommend that \$65,000 requested for parking lot modifications at Kings Beach State Recreation Area be deleted because of the uncertainty over when construction will be permitted by the Tahoe Regional Planning Agency.

The department is requesting \$679,000 for minor capital outlay projects at Angel Island (\$150,000), Castaic Lake (\$37,000), Gaviota State Park (\$60,000), Gianelli Bridge (\$150,000), Kings Beach (\$65,000), Millerton Lake (\$54,000), Picacho State Recreation Area (\$40,000), Silverwood Lake (\$48,000) and for unspecified emergency boat ramp repairs or extensions (\$75,000). Except for the Kings Beach project, these projects are reasonable in scope and cost and appear to be justified.

Kings Beach. The department is requesting \$65,000 to construct a sand barrier wall, sidewalks, and parking area curbs at Kings Beach State Recreation Area (Placer County) to improve traffic control near the boat launching ramp.

Although the project appears to be warranted, the funding request is premature due to the pending litigation and injunction concerning TRPA's regional plan.

We, therefore, recommend deletion of \$65,000 requested in Item 3680-301-516(3) because of the uncertainty over when construction will be permitted by the TRPA. Once the injunction is lifted, we will reevaluate this project.

Resources Agency

CALIFORNIA COASTAL COMMISSION

Item 3720 from the General
Fund and Environmental Li-
cense Plate Fund

Budget p. R 100

Requested 1985-86	\$6,138,000
Estimated 1984-85.....	6,600,000
Actual 1983-84	5,629,000
Requested decrease (excluding amount for salary increases) \$462,000 (-7.0 percent)	
Total recommended reduction	None
Recommendation pending	472,000

1985-86 FUNDING BY ITEM AND SOURCE

Item—Description	Fund	Amount
3720-001-001—Support	General	\$5,644,000
3720-001-140—Support	Environmental License Plate	214,000
3720-001-890—Support	Federal Trust	(594,000)
3720-101-001—Local assistance	General	280,000
9680-101-001—Legislative mandates	General	(400,000)
Total		\$6,138,000

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

	<i>Analysis page</i>
1. Closure of Eureka Office and Staff Reductions in Santa Cruz. Withhold recommendation on the proposed reduction of 13.5 positions and \$472,000 from the General Fund to close the Eureka office and reduce staff at the Santa Cruz office, pending receipt and analysis of workload data for the coastal management program.	505
2. Benefits Underbudgeted. Recommend the Department of Finance explain to the budget subcommittees why the amount budgeted for employee benefits is \$89,000 less than estimated costs.	506
3. Availability of Federal Funds Uncertain. Withhold recommendation on \$594,000 of federal funds, pending receipt of updated information from the Department of Finance and the commission on (a) the availability of federal CZMA funds for 1985-86, (b) how the administration proposes to allocate these funds, and (c) the effect any federal funding change will have on the commission's programs in 1985-86.	507

GENERAL PROGRAM STATEMENT

The California Coastal Commission is responsible for administering the state's coastal management program, pursuant to the 1976 Coastal Act (as amended). The two principal elements of this program involve the preparation of local coastal programs (LCPs) and the regulation of development in the 67 local jurisdictions within the coastal zone.

In addition, the Coastal Commission is the designated state coastal management agency for purposes of administering the federal Coastal Zone Management Act (CZMA) within California. Under the CZMA, California has received substantial federal funding to develop and implement the federally certified California Coastal Management Program (CCMP), which is based on the policies established in the Coastal Act. Because the CCMP is federally certified, the CZMA also delegates to the commission authority over some federal activities that otherwise would not be subject to state control.

The commission has 15 members, consisting of 6 public members, 6 elected local officials, and 3 nonvoting ex-officio members representing state agencies. The commission has its headquarters in San Francisco and maintains 5 district offices in key coastal areas. The commission is authorized to have 129 personnel-years of staff in the current year.

CALIFORNIA COASTAL COMMISSION—Continued**OVERVIEW OF THE BUDGET REQUEST**

The budget requests \$6,138,000 in state funds for the California Coastal Commission in 1985-86. This amount, which includes funds for both support and local assistance, is \$462,000, or 7 percent, less than estimated expenditures from state funds in the current year. A portion of the reduction will be offset by the cost of any increase in salary or staff benefits that may be approved for the budget year.

The budget proposal does not include any funds for the estimated cost of General Fund inflation adjustments for operating expenses and equipment (\$81,000). Presumably, these costs will be financed by diverting funds budgeted for other purposes.

The General Fund request for 1985-86 consists of \$5,644,000 for support and \$280,000 to fund grants to local governments for development and implementation of local coastal programs (LCPs). The budget also provides \$400,000 from the General Fund in the state mandated local program appropriation (Item 9680-101-001) to pay local mandate claims related to LCP development costs.

Table 1 summarizes expenditures and sources of funds for the Coastal Commission since 1983-84.

Table 1
California Coastal Commission
Expenditures and Funding Sources
1983-84 through 1985-86
(dollars in thousands)

	1983-84 Actual	1984-85 Estimated	1985-86 Proposed	Change 1985-86 over 1984-85	
				Amount	Percent
<i>Expenditures</i>					
Coastal Management Program	\$5,568	\$7,317	\$5,696	-\$1,621	-22.2%
Coastal Energy Program	845	323	303	-20	-6.2
Administration	682	905	854	-51	-5.6
Unallocated reduction of operating expense inflation adjustment	—	—	-81	-81	NA
Total Expenditures	\$7,095	\$8,545	\$6,772	-\$1,773	-20.7%
<i>Funding Sources</i>					
General Fund	\$5,349	\$6,297	\$5,924	-\$373	-5.9%
Environmental License Plate Fund ..	280	303	214	-89	-29.4
Federal Trust Fund	1,426	1,905	594	-1,311	-68.8
Reimbursements	40	40	40	—	—

Total expenditures, including expenditures of federal funds and reimbursements, are proposed at \$6,772,000 in 1985-86. This amount is \$1,773,000, or 21 percent, less than estimated total expenditure in the current year. The budget indicates that the primary reason for this reduction is a \$1,311,000 decrease in federal CZMA grants to California. We discuss the prospects for obtaining CZMA funds later in this analysis.

Table 2 summarizes the significant program changes proposed in the commission's budget for 1985-86. We discuss these changes in our analysis, below.

Table 2
California Coastal Commission
Program Changes, by Fund
(dollars in thousands)

	<i>General Fund</i>	<i>ELPF^a</i>	<i>Federal Funds</i>	<i>Reimburse- ments</i>	<i>Totals</i>
1984-85 Expenditures (Revised)	\$6,297	\$303	\$1,905	\$40	\$8,545
A. Program Changes					
1. Close Eureka office and reduce staff in Santa Cruz office.....	-472	—	—	—	-472
2. Transfer Coastal Access Guide to Coastal Conservancy	—	-101	—	—	-101
3. Reduction in federal funds	—	—	-1,311	—	-1,311
B. Administrative Changes					
1. Salary and benefits adjustments	28	—	—	—	28
2. Office rental increase	74	—	—	—	74
3. Miscellaneous	-3	12	—	—	9
1985-86 Expenditures (Proposed)	\$5,924	\$214	\$594	\$40	\$6,772
Change from 1984-85:					
Amount	-\$373	-\$89	-\$1,311	—	-\$1,773
Percent	-5.9%	-29.4%	-68.8%	—	-20.7%

^a Environmental License Plate Fund.

ANALYSIS AND RECOMMENDATIONS

Closure of Eureka Office and Staff Reductions in Santa Cruz Office

We withhold recommendation on the reduction of 13.5 positions and \$472,000 from the General Fund to close the commission's Eureka office and reduce staff at the Santa Cruz office, pending receipt of an analysis of (1) workload data for the coastal management program and (2) the proposed use in 1985-86 of operating expense funds now associated with the positions.

The budget proposes to reduce the commission's coastal management program in 1985-86 by 13.5 positions and \$472,000 from the General Fund. This reduction would be achieved by closing the commission's Eureka office, for a savings of 9.5 positions and \$344,000, and eliminating 4 of the 16 positions in the commission's Santa Cruz office, for a savings of \$128,000.

The Eureka office serves the north coast area from the Sonoma-Mendocino County line to the California-Oregon border. The Santa Cruz office serves the central coast area from the San Francisco-San Mateo County line to the Monterey-San Luis Obispo County line. The savings attributed to cutbacks in these two offices—\$472,000—is due solely to reductions in personal services costs. The budget does not reflect any savings in operating expenses associated with the cut-backs, even though rental payments for the Eureka office would no longer be necessary and general office expenses and utility costs would be reduced at both locations.

According to the budget, the proposed elimination of 13.5 positions in the coastal management program reflects "the completion of LCPs and the assumption of permit activities by local governments in most north coast counties."

Preparation of Local Coastal Programs. The Coastal Act of 1976 requires each of the 67 cities and counties along the California coast to

CALIFORNIA COASTAL COMMISSION—Continued

prepare a local coastal program (LCP) for the portion of their jurisdiction within the coastal zone. The purpose of the LCPs is to conform local land use plans and implementing ordinances with the policies of the Coastal Act. An LCP consists of a land use plan (LUP) and any ordinances or other actions necessary to implement the LUP.

Until an LCP has been certified by the Coastal Commission, virtually all development within the coastal zone requires a permit from the commission. An LCP does not become final until both the LUP and the implementing ordinances have been provisionally certified by the commission, formally adopted by the local government, and then "effectively certified" by the commission.

Insufficient Workload Data to Support Proposed Reduction. The Resources Agency, which proposed the reductions, indicates that it based its proposal on the commission's most recent LCP status report, issued on January 1, 1985. The LCP status report, however, does not demonstrate that workload has declined sufficiently to justify the proposed staffing reductions. The report indicates that in the north coast area—the area served by the Eureka office—only 7 of the 17 LCPs (41 percent), have been certified. In the central coast area—the area served by the Santa Cruz office—only 5 of the 22 LCPs have been certified. While these certifications ultimately will reduce the commission's staffing requirements, they do not, by themselves, provide an accurate measure of commission workload *in the budget year*.

Without documentation that *workload* associated with certifying the remaining LUPs and LCPs for the north and central coasts will decrease sufficiently in the budget year to permit a 53 percent reduction in staff for the two offices combined, we cannot confirm that the budget provides sufficient resources to accomplish the goals of the Coastal Act, as passed by the Legislature. Thus, we cannot recommend approval of the reductions at this time.

At the same time, we note that the budget does not propose to eliminate the operating expenses now associated with the positions to be eliminated.

We therefore withhold recommendation on the proposed staffing reductions and overbudgeted operating expenses, pending receipt of an analysis of workload data for the coastal management program. In submitting this information, we recommend that the commission also submit information on the feasibility of handling north coast LCP and permit matters with the commission's existing staff in San Francisco (the next closest office).

Benefits Are Underbudgeted

We recommend that during budget hearings, the Department of Finance explain to the fiscal committees why the amount budgeted for employee benefits is \$89,000 less than estimated costs.

The commission's budget includes \$937,000 for employee benefits in 1985–86 which consist of health and dental insurance, and social security contributions. This amount represents 26 percent of the total net cost of the commission's salaries and wages (\$3,643,000) in 1985–86. The actual cost of benefits in 1983–84 and the estimated cost of benefits in 1984–85, by contrast, are 31 percent of salaries and wages costs in each case.

The commission estimates that benefit costs in 1985–86 will be 28.2 percent of salaries and wages costs, or \$1,026,000. This is \$89,000 more than

the amount budgeted. The Department of Finance was not able to explain this discrepancy. We recommend, therefore, that the Department of Finance explain to the budget subcommittees why the amount budgeted for employee benefits costs is \$89,000 less than what the commission estimates the costs of the employee benefits to be in 1985-86.

Uncertain Availability of Federal Funds

We withhold recommendation on \$594,000 requested from federal funds pending receipt from the Department of Finance and the commission of updated information on (1) the availability of federal CZMA funds for 1985-86, (2) how the administration proposes to allocate the funds in the budget year, and (3) the effect that any federal funding change will have on the commission.

The budget for 1985-86 includes \$594,000 in federal Coastal Zone Management Act (CZMA) funds. During the current year, the commission received a total of \$1,750,000 from this source, of which \$200,000 was allocated to the state Coastal Conservancy and \$175,000 was allocated to the San Francisco Bay Conservation and Development Commission (BCDC).

Federal CZMA Appropriation in 1985. The Congress appropriated \$36 million in CZMA funds for coastal states in federal fiscal 1985 (October 1, 1984 through September 30, 1985). Based on an allocation formula specified in the appropriation, the Coastal Commission stands to receive the maximum allowable state allocation of \$2 million if the federal Office of Ocean and Coastal Resource Management (OOCRM) makes the funds available.

According to the OOCRM, the President may ask Congress to rescind all or part of the CZMA appropriation. The rescision becomes effective only if both houses of Congress approve it within 45 working days. Consequently, the OOCRM may not know until April or May whether and how much CZMA funds will be available to California in FFY 1985.

Budget Does Not Specify Use of CZMA Funds. The Department of Finance indicates that it included \$594,000 of CZMA funds in the budget simply as a placeholder. All of the \$594,000 is budgeted for a special "Federal Coastal Management Program," without any specific identification of how the funds will be used. The department intends to submit a budget change letter, indicating the amount and proposed use of the funds, once the funding situation at the federal level is clarified.

Although the budget for the Coastal Commission does not show any of the \$594,000 in CZMA funds being allocated to any other agency, the 1985-86 budget for the BCDC includes \$186,000 in CZMA funds from the Coastal Commission. Consequently, the budget for the BCDC and the Coastal Commission are not consistent.

In sum, the amount of federal CZMA funds available in 1985-86 might not be known until May. When the amount is known, we expect the administration to identify the specific use of the funds. We withhold recommendation on the \$594,000 in federal funds pending receipt from the Department of Finance and the commission of updated information on (1) the availability of federal CZMA funds for 1985-86, (2) how the administration proposes to allocate the funds in the budget year, and (3) the effect any federal funding change will have on the commission.

**Resources Agency
STATE COASTAL CONSERVANCY**

Item 3760 from the State
Coastal Conservancy Fund
and various other funds

Budget p. R 106

Requested 1985-86	\$14,635,000
Estimated 1984-85	13,090,000
Actual 1983-84	2,532,000
Requested increase (excluding amount for salary increases) \$1,545,000 (+11.8 percent)	
Total recommended reduction	1,303,000
Recommendation pending	12,427,000

1985-86 FUNDING BY ITEM AND SOURCE

Item—Description	Fund	Amount
3760-001-565—Support	State Coastal Conservancy	\$711,000
3760-001-140—Support	Environmental License Plate	101,000
3760-001-721—Support	1980 Parklands (Bond)	1,101,000
3760-001-730—Support	1984 State Coastal Conservancy (Bond)	667,000
3760-001-748—Support	Fish and Wildlife Habitat Enhancement (Bond)	150,000
3760-101-140—Local assistance grants	Environmental License Plate	905,000
3760-101-730—Local assistance grants	1984 State Coastal Conservancy (Bond)	7,000,000
3760-101-748—Local assistance grants	Fish and Wildlife Habitat Enhancement (Bond)	4,000,000
Total		\$14,635,000

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

*Analysis
page*

1. The Conservancy's Expenditure Plan. Recommend that conservancy report prior to budget hearings on its planned 1985-86 expenditures in each of its legislatively established program areas. Withhold recommendation on \$12,427,000 requested for the conservancy, pending review of this information.. 512
2. *Funding Source for Various Projects. Delete Item 3760-101-140.* Recommend that projects scheduled in Item 3760-101-140 (Environmental License Plate Fund) be scheduled instead in Item 3760-101-730 because the State Coastal Conservancy Fund of 1984 is a more appropriate funding source for these projects. 513
3. Bond Fund Expenditures. Recommend that the conservancy report at budget hearings on (a) future administrative costs of 1980 bond projects and (b) how it intends to fund those costs. Further recommend that prior to hearings, the conservancy provide its proposed multi-year schedules of expenditures from all of its bond funds. 514

4. *Staff work on CUWARFA Projects. Reduce Item 3760-001-730 by \$398,000 and increase reimbursements to Item 3760-001-565 by a corresponding amount.* Recommend reduction of \$398,000 requested from the State Coastal Conservancy (Bond) Fund of 1984 to fund work on projects of the California Urban Waterfront Area Restoration Financing Authority (CUWARFA) because the use of money in the bond fund for this purpose is not authorized. Further recommend that the \$398,000 be scheduled instead as a reimbursement from the CUWARFA because existing law requires the CUWARFA program to be self-financing. 515
5. Grants for Land Acquisition. Recommend adoption of Budget Bill language (a) requiring that grant-funded acquisitions by nonprofit groups be subject to the provisions of the State Property Acquisition Law and (b) prohibiting use of grants to local agencies for the purpose of acquiring state interests in real property. Further recommend that legislation be enacted to make these provisions permanent. 516

GENERAL PROGRAM STATEMENT

Chapter 1441, Statutes of 1976, established the State Coastal Conservancy in the Resources Agency. The conservancy is authorized to acquire land, undertake projects, and award grants for the purposes of (1) preserving agricultural land and significant coastal resources, (2) consolidating subdivided land, (3) restoring wetlands, marshes, and other natural resources, (4) developing a system of public accessways, and (5) improving coastal urban land uses, such as waterfronts. In general, the projects must conform to California Coastal Act policies and must be approved by the conservancy governing board. The conservancy's geographic jurisdiction coincides with the coastal zone boundaries established for the California Coastal Commission, and also includes the San Francisco Bay and the Suisun Marsh.

The conservancy governing board consists of the Chairperson of the Coastal Commission, the Secretary of the Resources Agency, the Director of Finance, and four public members.

Chapter 1264, Statutes of 1983, established the California Urban Waterfront Area Restoration Financing Authority (CUWARFA). The statute authorizes the CUWARFA to sell tax-exempt revenue bonds as a means of financing urban waterfront area restoration projects.

The conservancy is headquartered in Oakland and has 43 authorized positions in the current year.

OVERVIEW OF THE BUDGET REQUEST

The budget proposes five appropriations totaling \$2,730,000 for support of the State Coastal Conservancy (SCC) in 1985-86. This is an increase of \$369,000, or 15.6 percent, over estimated current-year support expenditures from state funds. The increase will grow by the cost of any salary or staff benefit increases approved for the budget year.

The budget also proposes three appropriations from various state funds, totaling \$11,905,000, for local assistance grants in 1985-86. This is an increase of \$1,176,000, or 11 percent, above estimated current-year grant expenditures.

The budget proposes *total* expenditures of \$14,660,000 for support and local assistance, including expenditures from reimbursements, in 1985-86. This is an increase of \$1,023,000, or 7.5 percent, over estimated total expenditures in the current year.

STATE COASTAL CONSERVANCY—Continued

Table 1 summarizes the conservancy's expenditures and staffing for 1983-84 through 1985-86.

Table 1
State Coastal Conservancy
Budget Summary
1983-84 through 1985-86
(dollars in thousands)

Program	Personnel-Years			Expenditures			Change from 1984-85	
	Actual 1983-84	Estimated 1984-85	Proposed 1985-86	Actual 1983-84	Estimated 1984-85	Proposed 1985-86	Amount	Percent
CUWARFA program ^a	1.8	6.6 ^b	6.6	\$60	\$344	\$429	\$85	24.7%
Coastal Access Guide	—	—	2.0	—	—	101	101	n.a.
Other support activities	33.0	36.4	31.4	1,778	2,564	2,225	-339	-13.2
Local assistance grants	—	—	—	772	10,729	11,905	1,176	11.0
Totals	34.8	43.0	40.0	\$2,610	\$13,637	\$14,660	\$1,023	7.5%
<i>Sources of Funds</i>								
State funds	—	—	—	\$2,532	\$13,090	\$14,635	\$1,545	11.8%
Reimbursements	—	—	—	\$78	\$547	\$25	-522	-95.4

^a California Urban Waterfront Area Restoration Financing Authority.

^b Limited to June 30, 1985.

Major Program Changes

Table 2 shows the major changes proposed in the conservancy's budget for 1985-86.

Table 2
State Coastal Conservancy
Proposed Budget Changes by Funding Source
(dollars in thousands)

	State Coastal Conservancy Fund	Environmental License Fund	Parklands Fund of 1980	State Coastal Conservancy Fund of 1984	Fish and Wildlife Habitat Enhancement Fund	Reimbursements	Totals
1984-85 Expenditures (revised)	\$2,361	—	\$10,729	—	—	\$547	\$13,637
Proposed Changes:							
1. Cost adjustments							
a. One-time costs	-714	—	—	—	—	-547	-1,261
b. Inflation, salary, and other adjustments	165	—	—	—	—	—	165
c. Administration of ongoing projects; funding shift	-1,101	—	1,101	—	—	—	—
2. Program Changes							
a. Permanent staffing for CUWARFA program ^a	—	—	—	\$429	—	—	429
b. Administration and planning for new bond programs	—	—	—	238	\$150	—	388
c. Coastal Access Guide (2 py)	—	101	—	—	—	—	101
d. Local assistance grants	—	905	-10,729	7,000	4,000	—	1,176
e. Carlsbad agricultural subsidy program ..	—	—	—	—	—	25	25
1985-86 Expenditures (proposed)	\$711	\$1,006	\$1,101	\$7,667	\$4,150	\$25	\$14,660
Change From 1984-85:							
Amount	-\$1,650	\$1,006	-\$9,628	\$7,667	\$4,150	-\$522	\$1,023
Percent	-69.9%	NA	-89.7%	NA	NA	-95.4%	7.5%

^a California Urban Waterfront Area Restoration Financing Authority.

ANALYSIS AND RECOMMENDATIONS**Ambitious Plan for Grants and Capital Outlay**

The budget proposes a total of \$18,905,000 in 1985-86 for the conservancy's local assistance and capital outlay programs, plus another \$2,730,000 from various funds for support activities. Most of the conservancy's support expenditures would be for planning and oversight of grants and capital outlay projects. Table 3 summarizes the conservancy's proposed local assistance and capital outlay programs, by general purpose and funding source.

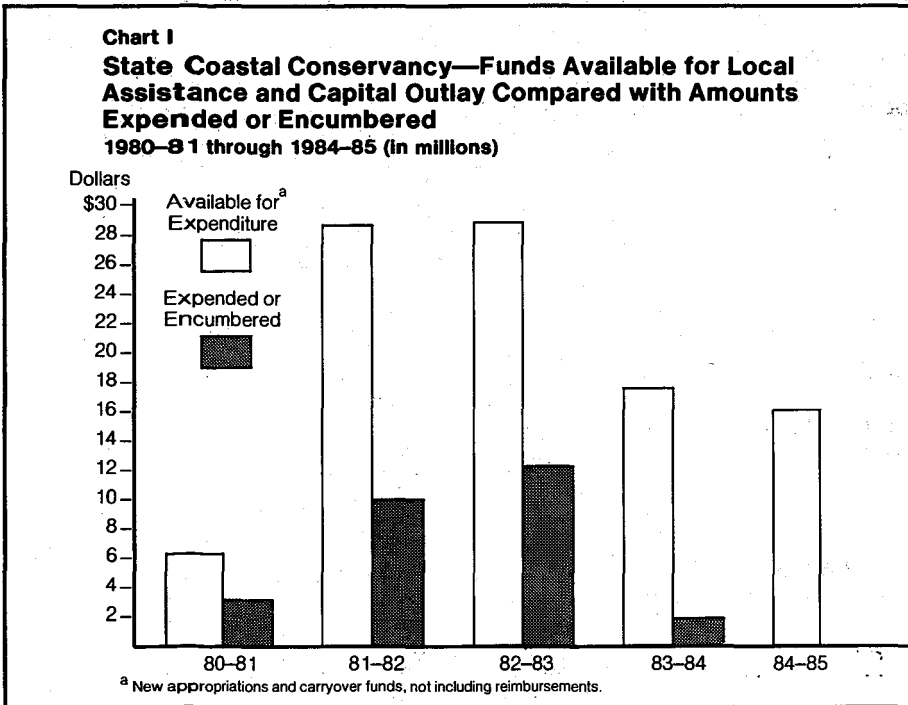
Table 3
State Coastal Conservancy
Summary of Proposed Local Assistance and
Capital Outlay Expenditures for 1985-86
(dollars in thousands)

<i>Fund</i>	<i>Purpose</i>	<i>Amount</i>
Environmental License Plate Fund	Local Assistance	\$905
	(a) Aliso-Wood Canyon Visitor Center	(475)
	(b) Tijuana River Estuary	(430)
State Coastal Conservancy (Bond) Fund of 1984	1. Local Assistance	7,000
	(a) Projects for San Francisco Bay and Suisun Marsh	(2,000)
	(b) Projects associated with implementa- tion of local coastal plans	(5,000)
	2. Capital Outlay	3,000
Fish and Wildlife Habitat Enhancement (Bond) Fund	1. Local assistance grants for acquisition, enhancement, and/or development of marshes and wetlands for wildlife habitat purposes	4,000
	2. Capital Outlay projects for preservation or enhance- ment of fish and wildlife habitat	4,000
Totals		\$18,905

The conservancy's proposed program of grant and capital outlay expenditures is extremely ambitious, given its performance in the past. Chart 1 compares the amounts available to the conservancy for local assistance and capital outlay for 1980-81 through 1984-85 with the amounts actually spent or encumbered for these purposes.

It shows that \$18,905,000 requested by the budget for local assistance grants and capital outlay in 1985-86 is more than 50 percent larger than what the conservancy has ever been able to spend or encumber for these purposes in a single year. It is more than 12 times the \$1,541,000 spent or encumbered for local assistance and capital outlay in 1983-84—a year in which it had a total of \$17,299,000 available for project expenditures in various appropriations and reappropriations.

STATE COASTAL CONSERVANCY—Continued

**More Information Needed on Conservancy's Expenditure Plan**

We recommend that the conservancy report prior to budget hearings on its planned 1985-86 expenditures in each of its legislatively established program areas. This report should specify (1) the amounts requested, (2) the conservancy's program objectives, (3) the workload associated with accomplishing these objectives, and (4) the criteria the conservancy will use in selecting projects for funding. We withhold recommendation on \$12,427,000 requested for the conservancy, pending review of this information.

With the exception of the two grant projects proposed for financing from the Environmental License Plate Fund, the budget does not schedule funds for specific local assistance or capital outlay projects. This is consistent with prior budget requests in which the conservancy has sought—and received from the Legislature—maximum flexibility in spending appropriated funds.

In contrast to past budgets, however, the budget for 1985-86 makes a clear distinction between the conservancy's local assistance and capital outlay appropriations. Previously, both local assistance and capital outlay funds were lumped together in the same item of appropriation. We believe this change will provide the Legislature with a better understanding of how the conservancy intends to expend funds and thus enhance, to some degree, the Legislature's ability to hold the conservancy accountable for those expenditures.

In our judgment, however, the budget needs to go further. At a minimum, it should indicate the allocation of funds among each of the distinct programs that have been established by the Legislature. These programs include (1) acquisition of coastal properties for park purposes, (2) urban waterfront development projects, (3) restoration of marshes and wetlands, (4) development of coastal accessways, (5) preservation of coastal agriculture, and (6) loans for safety improvements to commercial fishing vessels.

Without this kind of program information, the Legislature cannot determine the extent to which the conservancy proposes to carry out legislatively established program objectives in the budget year.

Accordingly, we recommend that the conservancy identify the amounts it plans to spend from each item in each of its legislatively established program areas. The report should specify (1) the proposed expenditure amounts, (2) the proposed personnel-years, (3) the program objectives to be achieved, (4) the workload associated with these objectives, and (5) the criteria the conservancy will use in selecting grant and capital outlay projects for funding. We withhold recommendation on the conservancy's funding request other than \$398,000 requested from Item 3760-001-730 for the CUWARFA program and \$905,000 requested in Item 3760-101-140 (discussed below) pending receipt and review of this information. Table 4 summarizes our dollar recommendations for each of the conservancy's support and local assistance items.

Table 4
State Coastal Conservancy
Summary of Amounts Recommended by Legislative Analyst
(dollars in thousands)

Item	Fund	Governor's Budget	Recom- mended Approval	Recommen- dation Withheld
3760-001-565	State Coastal Conservancy	\$711	—	\$711
3760-001-140	Environmental License Plate	101	—	101
3760-001-721	1980 Parklands Bond	1,101	—	1,101
3760-001-730	1984 State Coastal Conservancy	667	—	269
3760-001-748	Fish and Wildlife Habitat Enhancement	150	—	150
3760-101-140	Environmental License Plate	905	—	—
3760-101-730	1984 State Coastal Conservancy	7,000	\$905	6,095
3760-101-748	Fish and Wildlife Habitat Enhancement	4,000	—	4,000
	Reimbursements	(25)	(398)	(25)
Totals		\$14,635	\$905	\$12,427

Conservancy Funds Should Be Used For Projects Proposed From Environmental License Plate Fund

We recommend that (1) \$905,000 requested from the Environmental License Plate Fund (ELPF) be deleted, and (2) the projects proposed for funding from the ELPF be scheduled instead in Item 3760-101-730 (State Coastal Conservancy Fund of 1984), because the conservancy fund is the more appropriate funding source for these projects. (Delete Item 3760-101-140.)

The budget proposes an appropriation of \$905,000 from the ELPF for the following conservancy grant projects in 1985-86:

STATE COASTAL CONSERVANCY—Continued

- \$475,000 to Orange County for design and construction of a visitor/nature center within the Aliso-Wood Canyon Regional Park.
- \$430,000 for the following projects in the Tijuana River National Estuarine Sanctuary to be carried out by the San Diego State University Foundation: construction of an outdoor laboratory for research of coastal wetland environments, habitat enhancement for specific areas in the estuary, and dredging of channels to improve tidal flushing of the estuary wetlands.

According to the conservancy, these grants would further elements of local coastal programs (LCPs) approved by the Coastal Commission.

Given the purpose of these grants, we believe the State Coastal Conservancy (Bond) Fund of 1984 is a more appropriate funding source for them than the ELPF. Chapter 5, Statutes of 1984, authorizes a total of \$20 million from the conservancy fund for grants on behalf of projects provided for in LCPs.

The budget (Item 3760-101-730(b)) proposes an appropriation to the conservancy of \$5,000,000 from these bond monies. Since the conservancy has not identified specific projects to fund with that appropriation, the projects proposed for funding from the ELPF (Item 3760-101-140) can be scheduled, instead, in the bond fund item without displacing any specific projects.

Accordingly, we recommend deletion of Item 3760-101-140, for a savings to the ELPF of \$905,000. We further recommend that the two projects now scheduled in Item 3760-101-140 be scheduled instead in Item 3760-101-730(b).

Plan Needed for Bond Fund Expenditures

We recommend that the conservancy report at budget hearings on (1) the expected administrative costs associated with 1980 bond projects in 1986-87 and (2) how it intends to fund those costs. We further recommend that the conservancy provide to the budget committees prior to hearings (1) its proposed multiyear schedules of expenditures from bond funds and (2) the basis for the schedules.

1980 Bond Act. The budget requests \$1,101,000 from the Parklands (Bond) Fund of 1980 for support of the conservancy in 1985-86.

The 1980 Park Bond Act (Ch 250/80) authorized appropriations totaling \$36 million to the conservancy for support, local assistance and capital outlay purposes. The conservancy requested and received appropriations totaling \$34,627,000 from the bond proceeds in 1981-82 and 1982-83. The conservancy used up its remaining bond allocation in 1983-84 when it requested and received an appropriation of \$1,365,000 for support. This, however, left the conservancy with no reserve for future administration of bond projects. During 1984-85, the conservancy used the State Coastal Conservancy Fund for ongoing administration of 1980 bond projects.

The budget proposes that the \$1,101,000 requested from the 1980 Park Bond Fund for continuing administration of bond-supported projects in 1985-86 will be made available by reverting \$1,101,000 originally appropriated by the Legislature for local assistance *projects*. Thus, the conservancy proposes to revert funds which it told the Legislature would be spent for *projects* and, instead, spend the funds on project *administration*.

If bond project administrative needs continue into 1986-87, the conservancy again will be forced to propose the reversion of *project* funds or rely

on another funding source to finance its administrative costs. Accordingly, we recommend that the conservancy report at budget hearings on (1) the expected cost of administering 1980 bond projects in 1986-87 and beyond, and (2) how it intends to fund those costs.

1984 Bond Acts. Two bond acts approved by the voters in 1984 (Ch 5/84 and Ch 6/84), authorize a total of \$80 million for appropriation to the conservancy. (The conservancy is requesting \$18,817,000 of this amount in 1985-86.) Given the conservancy's record in conserving 1980 Bond Act funds for project administration, we believe the Legislature needs from the conservancy a multi-year expenditure plan for the new bond funds. This will help the Legislature avoid being presented with the choice of reverting project funds or using nonbond funding sources to pay for administration of bond-funded projects.

Accordingly, we recommend that prior to budget hearings, the conservancy provide to the fiscal committees (1) proposed multi-year expenditure schedules for all of its bond funds and (2) the basis on which the schedules are proposed.

CUWARFA Should Reimburse Conservancy For Work On CUWARFA Projects

We recommend a reduction of \$398,000 requested from the State Coastal Conservancy (Bond) Fund of 1984 and a corresponding increase in reimbursements because (1) the bond fund is not an appropriate source of funding for CUWARFA work, and (2) existing law requires the CUWARFA to be self-financing. (Reduce Item 3760-001-730 by \$398,000 and increase reimbursements in Item 3760-001-565 by the same amount.)

The budget for 1985-86 requests \$429,000 from the State Coastal Conservancy (Bond) Fund of 1984 to (1) fund 6.6 personnel-years of staff to review project applications for the California Urban Waterfront Area Restoration Financing Authority (CUWARFA) (\$381,000), and (2) provide for additional leased office space for these and other conservancy staff at the conservancy's Oakland headquarters (\$48,000).

Chapter 1264, Statutes of 1983, established the CUWARFA to sell tax-exempt revenue bonds as a means of financing coastal and inland urban waterfront restoration projects. The legislation also (1) created the CUWARFA Fund in the State Treasury, (2) requires conservancy approval of projects prior to funding by the CUWARFA, and (3) empowers the CUWARFA executive director to employ staff of the conservancy (among other resources) to process project inquiries and applications.

The Legislature appropriated \$344,000 in the 1984 Budget Act from the State Coastal Conservancy Fund to provide 6.6 personnel-years of conservancy staff for initial work on behalf of CUWARFA. The positions were authorized on a limited-term basis until June 30, 1985. The budget proposes to make these positions permanent.

The proposed use of the State Coastal Conservancy Fund of 1984 for costs related to CUWARFA activities is not appropriate. The bond act that created the fund (Ch 5/84) restricts use of money in the fund to those purposes provided for by the conservancy's enabling statute (Division 21 of the Public Resources Code). This statute does *not* mention the CUWARFA program. Moreover, the enabling statute of the CUWARFA (Division 22 of the Public Resources Code) requires the CUWARFA to be self-financing.

Accordingly, we recommend a reduction of \$398,000 in Item 3760-001-730 to eliminate funds requested from the bond fund for CUWARFA-related costs (including \$17,000 for additional leased office space which

STATE COASTAL CONSERVANCY—Continued

can be attributed to CUWARFA-related staff). We further recommend that the \$398,000, instead, be scheduled as a *reimbursement* from the CUWARFA to the conservancy's principal support item (Item 3760-001-565), in order to fund these costs. No other changes to the Budget Bill are needed, because the CUWARFA Fund is continuously appropriated.

Acquisition Grants Impose Costs and Liabilities On The State

We recommend the adoption of Budget Bill language (1) requiring that grant-funded acquisitions by nonprofit groups be subject to the provisions of the state Property Acquisition Law and (2) prohibiting the use of grants to nonstate public agencies for the purpose of acquiring state interests in real property. We further recommend that legislation be enacted to make these restrictions permanent.

Since its inception, the conservancy has granted at least \$3.4 million from various funding sources to local agencies and nonprofit organizations to acquire properties in the coastal zone. The local agencies and nonprofit groups have used the grant funds to acquire properties for various purposes, including (1) preservation of wetlands, (2) preservation of parklands and open space, (3) provision of public coastal access, and (4) keeping lands in agricultural use.

Grants To Nonprofit Groups. Public Resources Code Section 31116 requires the conservancy's grant agreements with nonprofit groups to include provisions for reversion of acquired property to the state if (1) essential terms or conditions of the agreement are violated or (2) the nonprofit group goes out of existence. Although the state does not acquire full fee title to properties under these provisions, the state does acquire partial interests in the properties which impose contingent liabilities and costs upon the state. Since the acquisitions are characterized as local assistance rather than capital outlay expenditures, however, the acquisitions are not subject to the state Property Acquisition Law (commencing with Section 15850 of the Government Code). The Property Acquisition Law provides safeguards, including review and approval of specific acquisitions by the state Public Works Board, to insure that state agencies acquire property interests (1) in accordance with legislative directives, (2) at prices that do not exceed fair market value and (3) which do not impose excessive liabilities or costs upon the state.

At the time this analysis was prepared, various nonprofit groups had acquired approximately 1,880 acres of land, with an estimated value of \$2.9 million, using grant funds provided by the conservancy. To date, none of these properties has reverted to the state. Under the existing arrangements, however, full title and operating responsibility for the properties could pass to the state at any time in the future.

In effect, the conservancy's grants to nonprofit groups for property acquisition involve state acquisition of property interests, with attendant liabilities and costs, in the same way that a direct state acquisition would. We believe these grant-funded acquisitions should be subject to the same statutory safeguards as other state acquisitions. We therefore recommend that the following Budget Bill language be added to the conservancy's local assistance items:

"Notwithstanding any other provision of law, all expenditures of funds appropriated in this item for grants to nonprofit organizations for purposes of property acquisition shall be subject to the provisions of the

Property Acquisition Law (Part 11 of Division 3 of Title 2 of the Government Code).”

We further recommend that legislation be enacted to make this provision permanent.

Grants To Local Agencies. Public Resources Code Section 31116 does not govern grants to local agencies. Nevertheless, we are aware of at least one significant instance where the conservancy has entered into a grant agreement with a local agency that provides for the state to retain interests in property to be acquired with the local assistance funds. The conservancy entered into a grant agreement with the City of San Diego in February 1983 which provides \$1,030,000 from the Parklands (Bond) Fund of 1980 for the city to use in acquiring approximately 775 acres of land in the vicinity of the Tijuana River estuary. The “grant” provides the conservancy with (1) reversionary interest in the property, (2) responsibility to manage agricultural leasing of the property, and (3) lease revenues from the property.

All property acquired by the city with the grant funds would be incorporated into the Tijuana River National Estuarine Sanctuary, together with other lands currently owned by the federal government or the state. Under a separate agreement between the conservancy, the city and various other agencies, primary responsibility for operation and management of the sanctuary lands (including the lands purchased by the city) will rest with the state Department of Parks and Recreation (DPR). Our analysis indicates that DPR’s operation and management responsibilities will involve annual General Fund costs of up to \$100,000 beginning in 1987-88, when a federal grant providing operating funds to DPR will expire.

In view of the state’s interest in, and responsibilities for, these properties, it is not clear why the conservancy chose to grant state funds to the city, instead of acquiring the lands directly for the state. One effect of the decision, however, is that the acquisitions are not subject to the Property Acquisition Law.

We believe that, as a matter of prudent fiscal policy, a clear distinction should be maintained between expenditures for local assistance purposes and expenditures for capital outlay purposes. If it is in the best interests of the state to acquire interests in real property, it should do so directly, and not through a grant to a local agency. Accordingly, we recommend that the Legislature adopt the following Budget Bill language in the conservancy’s local assistance items:

“No funds appropriated in this item may be encumbered for grants to nonstate public agencies which would fund state acquisition of interests in real property, including reversionary interests.”

We further recommend that legislation be enacted to make this provision permanent. Our recommendation would protect the state’s interest and also ensure that grants to local agencies really are grants.

Coastal Access Guide

The budget proposes shifting responsibility for the preparation of the Coastal Access Guide from the Coastal Commission to the conservancy. The budget requests \$101,000 from the ELPF (Item 3760-001-140) and 2.0 personnel years in 1985-86 for this purpose. (The same amount of funds and staff have been removed from the Coastal Commission’s base budget.) Although the amount proposed appears reasonable, we have no fiscal basis upon which to advise the Legislature whether the responsibili-

STATE COASTAL CONSERVANCY—Continued

ty for the guide's preparation should remain with the commission or be transferred to the conservancy.

Carlsbad Agricultural Subsidy Program

Chapter 1388, Statutes of 1984, revised the Carlsbad Agricultural Subsidy program. The budget includes \$25,000 in reimbursements from development mitigation fees to pay for consultant services for administration of the revised subsidy program. We recommend approval of the reimbursements budgeted for this purpose.

STATE COASTAL CONSERVANCY—CAPITAL OUTLAY

Item 3760-301-730 from the
State Coastal Conservancy
Fund of 1984

Budget p. R 110

Requested 1985-86	\$3,000,000
Recommendation pending	3,000,000

ANALYSIS AND RECOMMENDATIONS

We recommend that prior to budget hearings, the conservancy report to the fiscal committees on (a) its planned expenditures in each of its legislatively established program areas and (b) the criteria it will use in selecting capital outlay projects for funding. We withhold recommendation on the \$3 million requested in this item, pending review of this information.

The California Park and Recreational Facilities Act of 1984 (Ch 5/84) was approved by the voters in June 1984 as Proposition 18. This measure created the State Coastal Conservancy Fund of 1984 and provides a total of \$50 million from the fund (to be raised through the sale of general obligation bonds) for appropriation to the conservancy. This amount consists of (1) \$35 million for grants to local public agencies and nonprofit organizations for various purposes and (2) \$15 million for general conservancy programs (including support, local assistance, and capital outlay expenditures). The budget for 1985-86 requests \$7,667,000 for support and local assistance (which we discuss in our analysis of the conservancy's support and local assistance budget—please see page 508) and \$3 million for capital outlay in Item 3760-301-730.

The conservancy has provided the Legislature with essentially no information regarding its proposed expenditures in 1985-86. Consequently, we are unable to advise the Legislature on the adequacy or appropriateness of the amount requested.

Consistent with our recommendation on the conservancy's support and local assistance requests, we recommend that the conservancy report to the fiscal committees, prior to budget hearings, on its planned 1985-86 expenditures in each of its legislatively established program areas. We recommend that the commission also report on the criteria it will use in selecting capital outlay projects for funding in the budget year. We withhold recommendation on the \$3 million requested in this item, pending receipt and review of that information.

STATE COASTAL CONSERVANCY—CAPITAL OUTLAY

Item 3760-301-748 from the Fish
and Wildlife Habitat En-
hancement Fund

Budget p. R 110

Requested 1985-86	\$4,000,000
Recommendation pending	4,000,000

ANALYSIS AND RECOMMENDATIONS

(1) Capital Outlay, State Coastal Conservancy..... \$4,000,000

We recommend that the conservancy report to the fiscal subcommittees prior to budget hearings on (a) the estimated scope and cost of each project it proposes to fund in this item, (b) the criteria it will use to select projects for funding, and (c) the procedure it will use to assure that alternatives to direct acquisitions are considered as required by the bond act's provisions. We withhold recommendation on the \$4 million requested in this item, pending review of the above information.

The Fish and Wildlife Habitat Enhancement Act of 1984 (Ch 6/84) was approved by the voters in June 1984 as Proposition 19. This measure authorizes the sale of \$30 million of general obligation bonds, the proceeds of which are available for appropriation to the conservancy. This amount consists of (1) \$20 million for local assistance grants to fund the acquisition, enhancement, or development of marsh and adjacent lands for wildlife habitat purposes and (2) \$10 million for general fish and wildlife habitat purposes, including support, local assistance, and capital outlay expenditures. The budget for 1985-86 requests \$4,150,000 for support and local assistance (which we discuss in our analysis of the conservancy's support and local assistance budget—please see page 508) and \$4 million for capital outlay in Item 3760-301-748.

The conservancy has provided the Legislature with a list of *potential* projects to be funded from this item, but it has not provided cost estimates, detailed project descriptions, or the criteria that will be used to select projects for funding. Consequently, we cannot advise the Legislature on the need for or adequacy of the amounts requested in this item.

We therefore recommend that the conservancy report to the fiscal committees prior to budget hearings on the scope and estimated cost of each potential project and that it identify in its report the criteria that will be used to select projects for funding. We withhold recommendation on the \$4 million requested in this item, pending review of this information.

Fish and Game Code Section 2625, added by the bond act, requires the conservancy and the Wildlife Conservation Board (WCB) to establish a procedure to assure consideration of alternatives to direct purchase of property with the funds authorized by the act. At the time this analysis was prepared, the conservancy and the WCB had not established a procedure for assuring that these alternatives are considered. Accordingly, we recommend that prior to budget hearings, the conservancy report to the fiscal committees on the procedure that it intends to establish in order to comply with this statutory requirement.

**Resources Agency
DEPARTMENT OF PARKS AND RECREATION**

Item 3790 from the General
Fund and various funds

Budget p. R 111

Requested 1985-86	\$135,478,000
Estimated 1984-85.....	149,782,000
Actual 1983-84	111,349,000
Requested decrease (excluding amount for salary increases) \$14,304,000 (-9.5 percent)	
Total recommended reduction	7,305,000
Recommendation pending	None

1985-86 FUNDING BY ITEM AND SOURCE

Item—Description	Fund	Amount
3790-001-001—Support	General	\$72,559,000
3790-001-140—Support	Environmental License Plate	25,000
3790-001-263—Support	Off-Highway Vehicle	5,004,000
3790-001-392—Support	State Parks and Recreation	34,364,000
3790-001-516—Support	Harbors and Watercraft Revolving	303,000
3790-001-890—Support	Federal Trust	(1,555,000)
3790-011-062—Revenue transfer for maintenance of park roads	Highway Users Tax Account, Transportation Tax	(1,500,000)
3790-101-140—Local assistance grants	Environmental License Plate	300,000
3790-101-721—Local assistance grants	1980 Parklands Bond	152,000
3790-101-722—Local assistance grants	1984 Parklands Bond	22,575,000
3790-101-733—Local assistance grants	1974 State Beach, Park Rec- reation and Historical Facilities Bond	45,000
3790-101-742—Local assistance grants	1976 State, Urban, and Coastal Park Bond	151,000
 Total		 \$135,478,000

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

*Analysis
page*

1. Savings to State Parks and Recreation Fund (SPRF). Recommend that any savings to the SPRF resulting from legislative actions on the budget instead be reflected as General Fund savings, in order to increase the Legislature's flexibility in accomplishing its priorities. 528
2. *New Positions. Reduce Item 3790-001-001 by \$655,000.* Recommend deletion of \$655,000 and 8.7 new positions because (a) delays in project completions have postponed the need for certain positions and (b) the department has not justified the need for certain other positions. 528
3. Operating Agreements. Recommend that prior to budget hearings, the department identify park units where operating agreements (a) have been extended on a 530

- month-to-month basis, (b) have expired during 1983-84 or the current year and other agencies no longer operate park units, and (c) will expire before December 31, 1986.
4. **Park Staffing and Workload Standards.** Recommend adoption of supplemental report language requesting that the department develop park staffing and workload standards in order to provide the Legislature with an objective basis for evaluating statewide staffing needs in future budgets. 531
 5. **Use of CCC Corpsmembers.** Withhold recommendation pending (a) further definition of the proposal by the department and the California Conservation Corps, and (b) identification of the savings that would result if this proposal is approved. 532
 6. **Operating Expense Savings Associated With Position Reductions.** Reduce Item 3790-001-001 by \$225,000. Recommend reduction to reflect savings associated with the proposed 19.8 personnel-year reduction. 533
 7. **Audit and Concessions Staff.** Augment Item 3790-001-001 by \$21,000. Recommend augmentation to restore one position in the audit office and one position in the concessions office which are needed to carry out legislatively approved program objectives. 534
 8. **Equipment Augmentations.** Recommend approval of proposed augmentation for equipment replacement on a one-time basis. Further recommend adoption of supplemental report language requesting the department to report to the Legislature on its ongoing equipment needs so that funds budgeted for equipment are commensurate with these needs. 536
 9. **Conversion of Radio Equipment.** Reduce Item 3790-001-001 by \$2,007,000. Recommend reduction to delete additional funds requested for conversion of radio equipment because the department has not identified the ultimate cost of the conversion program, nor has it documented the need for the funds requested. Further recommend that department explain at budget hearings why it began the conversion program without legislative approval. 537
 10. **Deferred Maintenance/Special Repairs.** Reduce Item 3790-001-001 by \$3,255,000. Recommend reduction in the amount requested for deferred maintenance/special repairs because the department has not substantiated the need for these funds. Further recommend that the department report prior to budget hearings on the extent and nature of the deferred maintenance/special repairs backlog and propose a schedule for eliminating the backlog. 538
 11. **Additional Operating Expense Increases.** Reduce Item 3790-001-001 by \$318,000. Recommend reduction in the amount requested for additional operating expenses and equipment at four park units because department has not documented the need for these funds. 539
 12. **Park Ownership Mapping.** Recommend that \$100,000 requested to fund private contracts for preparation of park ownership maps be used instead to fund three additional 540

DEPARTMENT OF PARKS AND RECREATION—Continued

- positions because it will be more cost-effective to perform this work with state personnel.
13. **Training Program. Reduce Item 3790-001-001 by \$472,000.** 540
Recommend that \$222,000 be deleted to correct for over-budgeting. Further recommend the addition of \$250,000 requested for training and other unspecified purposes because the need for the augmentation has not been established.
 14. **Property Management. Reduce Item 3790-001-001 by \$150,000.** 541
Recommend reduction because the department has not justified the need to increase expenditures for property management purposes when the properties under interim management should be decreasing. Further recommend the adoption of supplemental report language continuing reporting requirements and legislative directives regarding property management. Finally, recommend that department (a) explain why it disregarded a legislative directive regarding property leases and (b) clarify its interpretation of reporting requirements.
 15. **Concessions Contracts.** 543
Withhold recommendation on proposed concession contracts pending (a) further review of specific proposals, and (b) receipt of annual concessions statement required by law.
 16. **Additional Concessions Proposals.** 544
Recommend that prior to budget hearings, the department present additional concessions proposals for legislative review because there are no apparent reasons why the State Public Works Board, rather than the Legislature, should approve these proposals.
 17. **State Park System Plan.** 544
Recommend enactment of legislation requiring department to prepare a state park system plan and to update the plan biennially.
 18. **Franks Tract Study.** 546
Recommend that the department explain at budget hearings why it cannot fund a study for Franks Tract State Recreation Area requested by the Legislature.
 19. **Grants Administration Budgeting Errors. Reduce Item 3790-101-722 by \$17,000 and reimbursements by \$17,000.** 547
Delete (a) \$17,000 requested from Parklands Fund of 1984 and (b) a corresponding amount from reimbursements, because the department has overbudgeted travel requirements. Further recommend that Item 3790-101-722 be adjusted to schedule properly \$225,000 of project review funds.
 20. **Inappropriate Use of General Fund. Reduce Item 3790-001-001 by \$227,000.** 547
Recommend reduction to delete funds requested from the General Fund for grants administration because department has not justified (a) use of General Fund for this purpose and (b) unusually large increase in administrative costs.
 21. **Local Assistance Grant to City of Walnut Creek.** 548
Recommend adoption of Budget Bill language providing that state funds may not be encumbered for this grant until

sufficient nonstate funds are available to assure completion of project.

GENERAL PROGRAM STATEMENT

The Department of Parks and Recreation is responsible for acquiring, developing, preserving, interpreting, and managing the use of the outstanding natural, cultural, and recreational resources in the state park system and the State Vehicular Recreation Area and Trail System (SVRATS). New programs and projects for the state park system are undertaken with the advice or approval of the nine-member California State Park and Recreation Commission. The seven-member Off-Highway Vehicle Recreation Commission, which was created by Ch 994/82, is responsible for establishing general policies for the guidance of the department in the planning, development, operation, and administration of the SVRATS.

In addition, the department administers state and federal grants to cities, counties, and special districts that are intended to help provide parks and open-space areas throughout the state. In recent years, emphasis has been given to acquisition and development of local and regional parks in urban areas.

The state park system consists of 278 units, including 36 units administered by local and regional park agencies. These units contain approximately 1,173,000 acres of land with 244 miles of ocean and bay frontage and 675 miles of lake, reservoir, and river frontage. During 1985-86, more than 64 million visitations are anticipated at state parks and beaches operated by the department. In the same period, approximately 44 million visitations are anticipated at state parks and beaches operated by local and regional park agencies.

The SVRATS consists of approximately 40,400 acres in six units. The department estimates that more than 2.8 million visitations to these units will occur during 1985-86.

In the current year, the department has 2,718 personnel-years of staff.

OVERVIEW OF THE BUDGET REQUEST

The Budget Bill proposes five appropriations from the General Fund and various other state funds totaling \$112,255,000 for support of the Department of Parks and Recreation in 1985-86. This is an increase of \$7,478,000, or 7.1 percent, above estimated current year support costs. This increase will grow by the amount of any salary or staff benefit increases which may be approved by the Legislature for the budget year.

The budget does not include any funds for the estimated cost of merit salary increases (\$433,000 in 1985-86) or inflation adjustments for operating expenses and equipment (\$925,000). Presumably, these costs will be financed by diverting funds budgeted for other purposes.

The budget also proposes five appropriations totaling \$23,223,000 from various state funds for local assistance grants (and project review by the department) in 1985-86. This is a decrease of \$21,782,000, or 48 percent, from current-year expenditures, as estimated in the budget. This apparent decrease is due primarily to the assumption in the budget that all local assistance funds currently available will be spent in 1984-85. Based on historical expenditure patterns, that is unlikely, and a large balance of unexpended grant funds appropriated for the current year probably will be available for expenditure in the budget year. These grant funds are available for expenditure for three years following appropriation.

DEPARTMENT OF PARKS AND RECREATION—Continued

Moreover, the budget does not request funds for (1) various grant programs authorized by the 1984 Park Bond Act (Ch 5/84), including \$28.5 million which the bond act *specifically* authorizes for appropriation in 1985-86, and (2) local assistance grants and cooperative agreements to be funded from the Off-Highway Vehicle Fund. According to the Department of Finance, funds for these grant programs will be requested in a budget change letter.

The budget proposes total expenditures for support and local assistance, including expenditures from the Federal Trust Fund and reimbursements, of \$144,152,000 in 1985-86. This is a decrease of \$13,949,000, or 8.8 percent, from estimated total expenditures in the current year. Again, the apparent reduction is unlikely to occur for the reasons mentioned above.

Table 1 shows a summary of the department's expenditures, by program, for 1983-84 through 1985-86.

Table 1
Department of Parks and Recreation
Budget Summary
1983-84 through 1985-86
(dollars in thousands)

Program	Personnel-Years			Expenditures		
	Actual	Authorized	Proposed	Actual	Estimated	Proposed
	1983-84	1984-85	1985-86	1983-84	1984-85	1985-86
Statewide planning	18.7	21.0	21.0	\$855	\$1,065	\$1,059
Acquisition	28.2	23.4	23.4	1,223	1,096	1,235
Property Management	—	—	—	850	1,000	1,000
Facilities development	101.4	69.0	69.0	4,786	5,734	5,894
Resources preservation and interpretation	94.6	80.9	79.9	4,761	4,371	4,424
Historic preservation	18.6	18.5	18.5	795	863	877
Park system operations	2,224.1	2,201.6	2,205.9	85,535	93,735	101,854 ^b
Off-highway vehicle support	88.6	98.0	98.0	3,333	4,304	5,004
Off-highway vehicle local assistance	—	—	—	5,273	11,927	—
Grants Administration (non-off-highway vehicle)	27.5	19.7	20.7	1,283	1,270	1,363
Local Assistance Grants	—	—	—	30,262	32,736	22,800
Departmental administration (distributed)	181.1	185.7	176.9	(12,234)	(14,763)	(15,046)
Unallocated reduction ^a	—	—	—	—	—	-1,358 ^a
Totals	2,782.8	2,717.8	2,713.3	\$138,956	\$158,101	\$144,152 ^b
Funding Sources						
General Fund	—	—	—	\$53,991	\$70,166	\$72,734 ^b
Other state funds	—	—	—	57,358	79,616	62,919
Federal funds	—	—	—	22,038	1,523	1,555
Reimbursements	—	—	—	5,569	6,796	6,944

^a Unallocated General Fund reduction for merit salary adjustment and inflation adjustment.

^b Includes \$175,000 for the Sno-Park program provided by Ch 1560/84.

Major Program Changes

Table 2 identifies (by funding source) the significant program changes proposed by the budget for 1985-86.

ANALYSIS AND RECOMMENDATIONS

The budget changes shown in Table 2 include \$607,000 requested from the Off-Highway Vehicle Fund (Item 3790-001-263) to remedy equipment deficiencies. The amount consists of \$527,000 for one-time expenditures and \$80,000 for a permanent increase to the department's base budget. We recommend approval of \$527,000 requested for one-time equipment purchases. The department's other significant program changes are discussed below.

State Park Revenues

Under existing law, all revenues received by the Department of Parks and Recreation are deposited in the State Parks and Recreation Fund (SPRF) and are available for support and capital outlay expenditures in connection with the state park system, when appropriated by the Legislature. In effect, revenues in the SPRF reduce the amount needed from the General Fund (or other state funds) for support of state park activities. The department receives revenues from the following principal sources: (1) camping fees, (2) day-use entrance fees, (3) fees for tours of Hearst Castle, and (4) concessions income. The department received revenues from these and various other sources totaling \$30,407,000 in 1983-84. The budget assumes a modest growth in revenues during the current year (to \$31,740,000), followed by a slight revenue reduction in the budget year (to \$31,615,000). The projected revenue reduction is due primarily to the anticipated termination of leases on properties which the department plans to open to public use in 1985-86.

The SPRF also receives an annual statutory transfer of \$1,500,000 from the Highway Users Tax Account in the Transportation Tax Fund to provide funds for state park road repairs and maintenance. The budget proposes expenditures totaling \$38,396,000 (for support and capital outlay) from the SPRF in 1985-86. This amount is \$8,877,000, or 30 percent, more than estimated current-year expenditures from the SPRF (excluding a one-time transfer to the SPRF of \$1.5 million in 1984-85 pursuant to Ch 1358/84). About one-half of the increase (\$4,403,000) will be used to replace General Fund support for the department; most of the remainder (\$4,032,000) is requested to reduce the backlog of minor capital outlay projects in the state park system.

The amount proposed for appropriation from the SPRF in 1985-86 exceeds projected 1985-86 revenues and transfers to the fund by approximately \$5.3 million. The excess will be financed from the surplus of \$10,005,000, which the budget projects for the SPRF as of June 30, 1985. According to the budget, the SPRF surplus will be reduced to \$4,724,000 by the end of 1985-86.

Table 2
Department of Parks and Recreation
Proposed Budget Changes by Funding Source
(dollars in thousands)

	General Fund	Off- Highway Vehicle Fund	State Parks and Recreation Fund	Various Park Bond Funds	Various ^a Other Funds	Reim- burse- ments	Federal Trust Fund	Totals
1984-85 Expenditures (Revised)	\$70,166	\$16,231	\$29,990	\$31,081	\$2,314 ^b	\$6,796	\$1,523	\$158,101
Proposed Changes								
1. Workload Adjustments								
A. Increased grant administration workload (1.0 py)	—	—	—	75	—	—	—	75
B. New park positions (32.1 py)	2,201	—	—	—	—	—	—	2,201
2. Cost Adjustments								
A. One-time costs in 1984-85	-459	—	-1,509	—	—	-1	—	-1,969
B. Inflation adjustments	—	57	377	—	4 ^c	95	20	553
C. Merit salary adjustments (MSA)	—	27	176	—	2 ^c	44	9	258
D. Miscellaneous cost adjustments	145	9	88	6	—	10	3	261
3. Program Changes								
A. Telecommunications equipment conversions	2,007	—	—	—	—	—	—	2,007
B. Remedy equipment deficiencies	1,270	607	—	—	—	—	—	1,877
C. Remedy utility expense deficiencies	1,575	—	—	—	—	—	—	1,575
D. Remedy additional operating expense deficiencies	539	—	—	—	—	—	—	539
E. Augment mapping of parks	—	—	115	—	—	—	—	115
F. Augment training programs	—	—	250	—	—	—	—	250
G. Position reductions (-48.8 py)	-477	—	—	—	—	—	—	-477
H. Local assistance grants ^g	—	-11,927	—	-8,239	-1,717 ^d	—	—	-21,883 ^g
I. Funding shift	-4,403	—	4,403	—	—	—	—	—
J. Sno-Park Program	175	—	—	—	—	—	—	175
K. Miscellaneous	-5	—	474	—	25 ^e	—	—	494
1985-86 Expenditures (Proposed)	\$72,734	\$5,004	\$34,364	\$22,923	\$628 ^f	\$6,944	\$1,555	\$144,152

Change from 1984-85:

Amount	2,568	-11,227	4,374	-8,158	-1,686	148	32	-13,949
Percent	3.7	-69.2	14.6	-2.6	-72.9	2.1	2.1	8.9

^a Special Account for Capital Outlay (SAFCO), Environmental License Plate Fund (ELPF), Energy and Resources Fund (ERF), and Harbors and Watercraft Revolving Fund (HWRP).

^b SAFCO (\$531,000), ELPF (\$1,255,000), ERF (\$231,000), HWRP (\$297,000).

^c HWRP

^d SAFCO (-\$531,000), ELPF (-\$955,000), ERF (-\$231,000).

^e ELPF

^f ELPF (\$325,000), HWRP (\$303,000).

^g Does not include an increase of \$101,000 to various funds for grants project review. That increase is included in workload and cost adjustments.

DEPARTMENT OF PARKS AND RECREATION—Continued**SPRF Reductions Can Be Used to Create General Fund Savings**

We recommend that any savings to the State Parks and Recreation Fund (SPRF) resulting from legislative action on the department's support budget be reflected, instead, as General Fund savings, in order to increase the Legislature's fiscal flexibility in accomplishing its priorities.

Although the budget document in some instances calls for specific programs to be funded from the SPRF, under existing law the General Fund and the SPRF can be used interchangeably to finance almost all of the department's support activities. Obviously, however, the potential uses of money in the General Fund go well beyond the state park system, while the SPRF can only be used for state park-related purposes.

In order to increase the Legislature's flexibility in addressing general state needs, we recommend that any savings to the SPRF (Item 3790-001-392) as a result of legislative actions on the department's support budget be reflected instead as General fund savings (Item 3790-001-001). This would give the Legislature additional funds to accomplish its priority objectives. If the Legislature were to adopt this policy, the following recommendations in this analysis would result in General Fund savings:

1. Training Program—reduce by \$250,000.
2. Interim property management—reduce by \$150,000.

New Positions Requested for Operations are Not Justified

We recommend a General Fund reduction of \$655,000 and deletion of 8.7 new positions because (1) delays in the completion of certain projects have postponed the need for some positions and (2) the department has not justified the need for other positions. We further recommend that prior to budget hearings, the department report to the fiscal subcommittees on the status of negotiations for an operating agreement for state beaches in Los Angeles County. (Reduce Item 3790-001-001 by \$655,000).

The budget proposes an additional \$2,201,000 from the General Fund and 32.1 personnel-years in 1985-86 to (1) operate new day use and camping facilities, (2) patrol new acquisitions, and (3) assume operating responsibilities for two park units which heretofore were the responsibility of nonstate entities. The ongoing cost of these proposals will be approximately \$1,900,000 and 38.1 personnel-years because (1) the new positions at some park units will be phased in during the budget year, and (2) the request for 1985-86 includes \$555,000 for one-time equipment expenditures in the budget year.

Our analysis indicates that reductions in the requests for some facilities are warranted, as discussed below.

South Yuba River Project—Reduce by \$41,000 and 1.0 personnel-year. The department requests \$301,000 and 4.2 personnel-years in 1985-86 to provide for patrol, operation, and maintenance of recently acquired lands and facilities along the South Yuba River in Nevada County, about 11 miles northwest of Grass Valley.

The department is requesting funds for 3.2 personnel-years of ranger staff to patrol the project area and 1.0 personnel-year of seasonal park aid staff for litter pickup and facility maintenance. Prior-year appropriations for most project acquisitions, which were made by Ch 946/77, Ch 809/80, and Ch 903/82, included language requiring that a nonstate public agency or a volunteer trail association develop and operate the project's trails and facilities.

Pursuant to these legislative requirements, the department entered into an agreement with the federal Bureau of Land Management (BLM), which owns and manages adjacent property, for development, operation and maintenance of the project area, subject to the availability of funds. After signing the agreement, the BLM indicated to the department that it did not have the necessary funds and did not intend to assume responsibility for the area. The department subsequently entered into an agreement with Sequoyah Challenge, a volunteer trail association, to develop and operate the handicapped-accessible trail and related facilities. Unlike the BLM, Sequoyah Challenge does not have patrol or law enforcement capabilities.

The department's request for ranger staffing would provide capability for two-person patrols. According to the department, two-person patrols are necessary because of serious law enforcement and safety problems in the vicinity of State Highway 49 and along the river, including reported rapes, assaults, drownings, and poaching.

We recommend approval of \$129,000 for 3.2 ranger positions and \$131,000 in one-time equipment costs, because of the need to address the serious law enforcement problems on this state property. We note, however, that this budget request would not have been necessary if the department had entered into an *effective* operating agreement with the BLM, as the Legislature intended. We recommend a reduction of \$41,000 to delete 1.0 personnel-year of park aid staff and operating expenses associated with facility maintenance activities. These activities can and should be carried out by Sequoyah Challenge or another nonstate entity, as required by statute.

Angel Island State Park, Pismo State Beach, and Millerton Lake SRA—Reduce by \$250,000 and 2.5 personnel-years. The department is requesting a total of \$250,000 and 2.5 personnel-years in 1985–86 to staff new facilities at these three park units. Since the staffing requests were prepared for inclusion in the budget, delays have occurred in the three facility development projects which make it unlikely that the new facilities will be ready for staffing during the budget year. Accordingly, we recommend deletion of the funds and staff requested.

Old Town San Diego State Historic Park—Reduce by \$25,000. The budget requests \$126,000 and 1.0 personnel-year for new facilities at Old Town San Diego, including \$25,000 for equipment that will be used to sweep a new parking lot. This parking lot will be operated and maintained by a private concessionaire, according to a concession proposal approved by the Legislature in the 1984 Budget Act. Since maintenance of the parking lot should be the responsibility of the concessionaire, we recommend deletion of the funds requested for the equipment.

Malibu Lagoon/Surfriders Beach—Reduce by \$339,000 and 5.2 personnel-years. The department requests \$339,000 and 5.2 personnel-years in 1985–86 in order to assume operation and maintenance responsibilities for Surfriders Beach, and to incorporate it as part of its operation of the adjacent Malibu Lagoon State Beach. Surfriders Beach is owned by the state, but has been operated and maintained by Los Angeles County since 1958, pursuant to an operating agreement with the state. Although this agreement expired in 1981, the county has continued to operate the beaches on what amounts to an interim extension of the original agreement. The department and the county are attempting to negotiate a new agreement regarding their mutual responsibilities for all state beaches in

DEPARTMENT OF PARKS AND RECREATION—Continued

Los Angeles County, including state beaches which presently are operated and maintained by the county pursuant to other agreements. The annual cost to the county to operate all of these state beaches is approximately \$6 million, including approximately \$455,000 (with administrative overhead) for operation and maintenance of Surfriders Beach. The net cost to the county for operating these beaches, after accounting for revenues, is approximately \$3.5 million county-wide, and approximately \$370,000 for Surfriders Beach.

The department and the county have agreed, on a tentative basis, that it would be more cost-effective for the department to operate Surfriders Beach because it is adjacent to the state-operated Malibu Lagoon State Beach. The department, therefore, is requesting funds for operation and maintenance of Surfriders Beach (and the nearby Malibu Pier) in 1985-86. During 1983-84, the county unilaterally terminated its operation of the Malibu Pier, which was operated pursuant to another agreement with the department.

By not linking its agreement to assume responsibility for Surfriders Beach with resolution of any other issues between the county and the state, the department appears to have weakened its negotiating position with respect to a new omnibus operating agreement. It has agreed to assume the operating costs for Surfriders Beach (and Malibu Pier), which greatly exceed the revenues from the beach, leaving another state beach (Will Rogers State Beach) with annual revenues that exceed operating costs in the county's hands. The county is also continuing to operate several other beaches that have promising potential for future revenue generation. By agreeing to take over operation of those units which the county no longer wants to operate, the department is allowing the county to unload the money-losing beaches on the state, while retaining those beaches that generate or have the potential to generate an operating surplus.

Although we agree that Surfriders Beach probably can be operated at less cost by the state, we believe that any proposal by the department to assume operating responsibilities for this or any other beach currently operated by the county should be presented to the Legislature as part of a *comprehensive* proposed agreement for the operation of state beaches in Los Angeles County. For this reason, we believe the proposal for staffing Surfriders' Beach during 1985-86 is premature. Accordingly, we recommend a reduction of \$339,000 and 5.2 personnel-years requested to staff Surfriders' Beach.

We further recommend that prior to budget hearings, the department report to the fiscal committees on the status and prospects of its negotiations with the county. The report should provide data on the potential costs to the state of operating all existing state beaches in the county, as well as on the existing revenues produced by, and revenue *potential* of, each of these beaches. The Legislature will need this information to determine whether it would be more advantageous for the state to operate some or all of the other beaches now operated by the county, and to evaluate any proposed comprehensive agreement with the county.

No Operating Agreements Are Submitted

We recommend that prior to budget hearings, the department identify all park units where (1) other agencies operate the units pursuant to operating agreements that have expired or have been extended on a month-to-month basis, (2) other agencies no longer operate units because

agreements have expired or terminated during 1983-84 and the current year, or (3) agreements will expire or terminate before December 31, 1986. In each instance, the department should state its plans for future operation of the park units involved.

Section 18.10 of the 1984 Budget Act requires the department to present for legislative review all new and amended agreements with other public agencies that provide for the operation and maintenance of state park units. Similar requirements have been included in each Budget Act since 1982.

The department is not proposing any new or amended agreements pursuant to Section 18.10 as part of its 1985-86 budget request. However, we are aware of instances where existing agreements have been extended on a month-to-month basis, raising questions about the continued operation of these park units. We are also aware of agreements which recently lapsed, resulting in new operational responsibilities (and costs) for the department.

The Legislature needs complete information on the status of operating agreements in order to (1) review proposed agreements on a timely basis and (2) evaluate the operating needs of the state park system. We therefore recommend that prior to budget hearings the department identify all park units where (1) other agencies operate the units pursuant to operating agreements that have expired or have been extended on a month-to-month basis, (2) other agencies no longer operate the units because agreements have expired or terminated during 1983-84 and the current year, or (3) agreements will expire or terminate before December 31, 1986. In each instance, the department should state its plans for future operation of the park units involved and the cost to implement those plans.

Parks Staffing and Workload Standards are Needed

We recommend that the Legislature adopt supplemental report language directing the department to develop (1) standards for the staffing of state park units and (2) workload standards for various job classifications in the department. We further recommend that prior to budget hearings, the department report on the additional resources it would need to develop these standards.

Each year, the department requests additional positions for the staffing of new parks and new park facilities. These requests generally are supported by documentation prepared by park district superintendents. Although the documentation for individual staffing requests is often minutely detailed, it is rarely clear from these proposals on what basis they were selected for inclusion in the budget or on what basis the number of requested positions was determined. This is because the department does not have explicit staffing and workload *standards* that are related to objective measures of park staffing needs.

Thus, the Legislature is presented each year with requests for positions at *individual* park units, without having an objective basis for evaluating the department's *statewide* staffing request and the state park system's overall staffing needs.

We recognize that there often are special circumstances that would make a *rigid* application of standards inappropriate. In the absence of objective staffing and workload measures and standards to serve as guidelines, however, both the department and the Legislature run the risk of "failing to see the forest for the trees" when trying to assess the overall staffing needs of the state park system.

DEPARTMENT OF PARKS AND RECREATION—Continued

Moreover, the department lacks a meaningful set of workload standards for most of its headquarters activities, including work performed by the facilities development division, the planning division, and the resource protection division. Meaningful workload measures and standards for the facilities development division are especially needed at this time because of the major increase in facility development workload that is likely to result as funds are appropriated from the Parklands (Bond) Fund of 1984 for capital outlay projects.

Other park and recreation agencies have developed, or are in the process of developing, park staffing and workload standards. For example, the Los Angeles County Department of Parks and Recreation recently commissioned a detailed study to develop a system of staffing standards for the county's numerous facilities. Sacramento County's Department of Parks and Recreation also is in the process of developing staffing standards, which will be based on audited work hours and various other measures, such as park size, type of facilities, and attendance.

We believe the state Department of Parks and Recreation has an equal, if not greater, need for staffing standards because of the increased size and diversity of its system and the greater costs involved in operating that system.

We therefore recommend that the Legislature direct the department to develop staffing standards by adopting the following supplemental report language:

"The department shall develop objective workload measures and standards for each of its major categories of work activity or position classification. The department also shall develop staffing standards for state park units based on appropriate objective measures. The workload and staffing standards shall be developed to serve as guidelines for the budgeting of departmental staffing needs. The department shall report to the chairs of the fiscal committees and the Joint Legislative Budget Committee on its standards and workload measures, including the methodology and assumptions used to derive the standards and measures, by January 1, 1986 (interim report), and by November 1, 1986 (final report). The final report shall be revised and updated, as needed."

The development of meaningful standards undoubtedly will require a significant effort by the department, including studies and surveys. It probably also will require expertise available from private consultants. We therefore recommend that prior to budget hearings the department report to the fiscal committees on the additional resources it would need to develop workload and staffing standards.

Important Details Regarding Use of CCC Corpsmembers Are Not Worked Out

We withhold recommendation on the proposed use of California Conservation Corps (CCC) corpsmembers to replace seasonal park staff, pending further definition of the proposal by the department and the CCC and identification of potential reductions of state expenditures.

The budget proposes replacing 29 personnel-years of seasonal staff at various park units with 131 CCC corpsmembers. The corpsmembers, working under the supervision of department staff, will carry out a variety of housekeeping and light maintenance tasks currently performed by the seasonal staff. Some of the work to be performed by corpsmembers will be new tasks that the department is not accomplishing with existing staff.

Thus, the substitutions of corpsmembers for seasonal staff should allow the department to carry out additional workload without increasing state expenditures.

The proposal will not result in any change in state expenditures during the budget year because the department intends to redirect the \$415,000 saved from the deletion of the seasonal staff positions in order to (1) purchase vehicles to transport corpsmembers to job sites, (2) provide housing for corpsmembers, and (3) fund additional operating expenses. The regular support costs of the 131 corpsmembers (who are paid with CCC contract funds and are not included in state personnel-year totals) already are included in the base budget of the CCC. The proposal would redirect, rather than augment, the CCC's authorized corpsmember strength.

This proposal is in a preliminary stage and important details have yet to be resolved by the two agencies. In addition, the amount to be redirected to fund operating expense and equipment expenditures appears to be excessive. In particular, we have the following concerns with the proposal:

- The department has not identified the park units at which the corpsmembers will work or the park units at which seasonal staff will be eliminated. Without this information, the need for operating expense and equipment funds cannot be determined.
- No justification has been provided for the expenditure of \$256,000 to purchase 31 vehicles to transport an unspecified number of corpsmembers to job sites.
- The proposal includes the expenditure of \$117,000 to lease 13 trailers for a six-month period in order to house corpsmembers. This is a cost of \$1,500 per trailer per month. The department has provided no justification for this unusually high cost.
- The proposal is internally inconsistent. The two agencies have estimated different amounts for the costs of transportation and housing of CCC corpsmembers.

The use of CCC corpsmembers to accomplish work in the state park system has merit *in concept* and should be encouraged. The two agencies, however, clearly have much additional work to complete on this proposal in order to insure that the deployment of corpsmembers is cost effective and efficient. Accordingly, we withhold recommendation on the proposal, pending its refinement by the agencies. The refinement should include identification of (1) the nature and location of existing and new workload, (2) the geographic and seasonal deployment of corpsmembers, (3) justification for corpsmember transportation and housing costs, and (4) an identification of any savings to be realized from the policy change.

Savings from Position Reductions Not Fully Realized

We recommend a reduction of \$225,000 from the General Fund in order to fully realize savings in operating expenses and equipment costs associated with positions that will be eliminated.

The department proposes to reduce authorized positions by 19.8 personnel-years because of anticipated efficiencies in the implementation of various programs. The position reductions will result in savings to the General Fund of \$477,000. This figure understates the savings that should be expected, however, because (1) the estimate includes only \$15,000 for savings in operating expenses and equipment (OE&E) and (2) the proposal includes a redirection of \$29,000 to fund consultant contracts.

DEPARTMENT OF PARKS AND RECREATION—Continued

Based on the overall ratio of personal services to OE&E in the support budget request, the OE&E savings associated with these position reductions should be approximately \$240,000, rather than \$15,000. On this basis, we recommend a reduction of \$225,000 from the General Fund (Item 3790-001-001) in order to realize the full amount of the savings that will result from the position reduction.

Reductions in Audit and Concessions Staff

We recommend an augmentation of \$21,000 in order to restore one position in the audits office and one position in the concessions office which are needed to carry out legislatively approved program objectives.

The department has provided reasonable justification for eliminating three of the 19.8 positions proposed for termination: one labor relations analyst position, one word processing technician position, and one position in the operations office. The General Fund savings associated with these positions is \$67,000.

With regard to the remaining 16.8 positions proposed for deletion, the department has not specified the efficiencies that will allow it to accomplish program objectives with reduced staff.

We have specific concerns regarding the proposed deletion of one position in the audits office and one position in the concessions office. In proposing to delete one position in the audits office, the department has acknowledged that it will *not* be able to carry out existing workload. The proposal states that "the department is only going to conduct audits where we are legally required to perform the audit."

A number of internal audits now are conducted that are not legally required, in order to insure program effectiveness. These include performance audits on major state park concessions, which can be effective in protecting the state's interest. For example, the department's 1983 audit of the equestrian concession at Will Rogers State Historic Park found that the concessionaire had violated contractual provisions on a continuing basis. This finding led the department to select a new concessionaire through competitive bidding, on rental terms more favorable to the state.

The budget shows savings of \$23,000 for the deleted position. However, the budget also includes \$29,000 for contract services to carry out a *portion* of that position's workload. Thus, the department proposes to spend *more* to accomplish *less*.

The department's proposal to reduce its concessions staff from 7.8 to 6.8 personnel-years, by "shifting the monitoring of the concessions" to the staff of individual park districts, runs directly counter to several years of effort by the Legislature to upgrade and centralize the department's professional capability in the area of concessions management. We believe the reduction will compromise the department's ability to manage its concessions operations consistently and effectively.

Park district superintendents generally are not trained to review contracts and financial statements of commercial operations. In addition, since district superintendents have to work with concessionaires on a personal and frequent basis, and have an interest in maintaining harmonious relations with concessionaires for the sake of smooth park operations, we question how aggressively they can be expected to monitor compliance with contract terms. Finally, having this responsibility diffused among almost 50 district superintendents will likely lead to inconsistent

applications of statewide concessions policies, which is one of the problems that the Legislature intended to correct in passing major concessions legislation (Ch 1487/82) and in acting on the department's budget proposals in recent years.

As discussed in our analysis of specific concession contract proposals, the department's concessions office appears to be having difficulty carrying out its workload at the *existing* staff level. For example, the office still has not completed the 1983-84 concessions operations report required by law.

In view of the above considerations, we recommend the restoration of one position in the audits office and one position in the concessions office which are needed to carry out legislatively approved program objectives. The cost of the restored positions is \$50,000. However, restoration of the positions will require an augmentation of only \$21,000 (to Item 3790-001-001) because the redirection of \$29,000 for contract services will no longer be necessary.

Operating Expenses and Equipment

The department requests a total of \$39,764,000 for operating expenses and equipment (OE&E) in 1985-86. This is an increase of \$7,572,000, or 24 percent, above estimated current-year expenditures for OE&E. The 1985-86 request represents an increase of \$8,130,000 (26 percent) above *actual* 1983-84 expenditures, which were \$31,634,000. If a one-time pass through of \$5,177,000 in federal funds to various state agencies is excluded from the 1983-84 total, the proposed increase becomes \$13,307,000, or 50 percent. Table 3 shows actual, estimated, and proposed OE&E expenditures (excluding the 1983-84 pass through of federal funds) for each major category and the amounts that would be approved for 1985-86 if our recommendations on the department's budget are adopted.

Table 3
Department of Parks and Recreation
Operating Expense and Equipment Expenditures
(dollars in thousands)

Category	1983-84 Actual	1984-85 Estimated	Governor's Budget	1985-86	
				Analyst's Recom- mendation	Difference
Facility operations	\$6,272	\$8,058	\$9,080	\$8,751	-\$329
Deferred maintenance/special re- pairs	1,568	1,758	3,255	—	-3,255
Utilities	4,063	4,905	5,302	5,250	-52
Equipment	1,884	1,354	5,451	3,676	-1,775
Training	246	667	939	467	-472
Other	12,424	15,450	15,737	14,660	-1,077
Totals	\$26,457 ^a	\$32,192	\$39,764	\$32,804	-\$6,960

^a Does not include \$5,177,000 in one-time federal funds.

Approximately \$1.8 million of the OE&E increases proposed for 1985-86 are for equipment and expenses associated with new positions or for contract and other costs to replace staffing reductions as discussed above. The remaining increase of approximately \$5.8 million consists of inflation adjustments and specific OE&E augmentation requests which we discuss below.

DEPARTMENT OF PARKS AND RECREATION—Continued**Equipment Augmentations Should be Limited to 1985-86**

We recommend that the Legislature adopt supplemental report language which (1) specifies that equipment augmentations requested by the department are limited to 1985-86, and (2) directs the department to report on its ongoing equipment needs prior to submitting its 1986-87 budget request.

The department requests a total of \$5,451,000 in 1985-86 for equipment. This amount is roughly four times the \$1,354,000 which the budget estimates the department will spend for equipment in the current year. Budget change proposals (BCPs) for new parks, conversion of telecommunications equipment, and other specific needs account for approximately \$2.7 million of the \$4.1 million increase. The remaining BCP requests a *permanent* augmentation of \$1,350,000 for equipment replacement, consisting of \$1,270,000 from the General Fund and \$80,000 from the Off-Highway Vehicle Fund. This proposal would roughly double the department's 1984-85 base allocation for equipment replacement.

In recent years, the department has not been able to keep pace with its equipment replacement needs because of (1) the continuing expansion of the state park system and (2) equipment purchase freezes and other special budgetary restrictions. The major increases requested by the department are intended to address this backlog of equipment replacement needs.

Our analysis indicates that *one-time* increases for equipment purchases are indeed justified. The department, however, has not justified the need for a *permanent* increase in its base budget allocation for equipment replacement.

At present, the department does not have a system for forecasting its equipment replacement needs beyond the budget year, because it lacks fundamental information on its equipment inventory. For example, at the time this analysis was prepared, the department could not provide the distributions of its vehicle fleet by age and mileage, or even the *average* mileage of its fleet. Consequently, the Legislature cannot determine what the ongoing vehicle replacement needs are.

The 1985-86 request for vehicle replacement is based on a list of high-mileage vehicles currently in the department's fleet. These vehicles probably should be replaced. The proposed doubling of the department's equipment replacement budget in 1985-86, however, could rapidly reduce the average age of the department's vehicles (and other equipment). If this happens, the funds required to meet the department's equipment replacement needs in 1986-87 may be less than the amount needed in the budget year.

In sum, we believe any request to permanently increase the department's equipment budget is premature until the department develops better information on its current needs and a better means of forecasting its future needs. Accordingly, we recommend that the \$1,350,000 requested as a permanent increase in the department's allocation for equipment replacement instead be approved on a one-time basis. We further recommend that the Legislature adopt the following supplemental report language:

"It is the intent of the Legislature that all funds in excess of \$1,354,000 included in the 1985 Budget Act for equipment purchases by the De-

partment of Parks and Recreation shall be considered one-time augmentations. Any increases above \$1,354,000 proposed for 1986-87, other than for standard inflation adjustments, shall be presented as budget change proposals. The department shall report to the Legislature, by November 1, 1985, on its ongoing equipment needs. The report shall include appropriate information for the most recent three fiscal years regarding its equipment inventory, including age and/or mileage profiles for each major category of equipment, amounts charged for equipment from capital outlay appropriations, and actual support expenditures, by category of equipment. In the report, the department also shall propose methodologies and criteria for use in forecasting and budgeting its ongoing equipment needs."

Increase For Conversion of Radio Equipment is Not Justified

We recommend that \$2,007,000 requested from the General Fund for conversion of the department's radio system be deleted, because the department has not identified the ultimate cost of this conversion program or justified its need. We further recommend that the department explain to the fiscal committee why it began the conversion program without legislative approval.

The budget requests \$2,257,000 in 1985-86 from the General Fund for the fifth year of a nine-year statewide program to convert the department's radio system from the 39 to 50 megahertz frequency band to the 800 to 860 megahertz band. The budget request includes \$2,007,000 as an augmentation to the \$250,000 already included for this purpose in the department's base budget.

According to the department, use of the 800 to 860 megahertz band will increase the number of channels available in a given area for transmissions, and thereby eliminate the channel saturations that presently occur in some areas of the state park system and which limit park communications. Under a timetable imposed by the Federal Communications Commission (FCC), the department must complete the statewide conversion of its radio equipment by November 1990, or face revocation of the new radio frequencies allocated to it by the FCC.

The department embarked on the nine-year conversion program in 1981-82, when it decided, *without notifying the Legislature*, to redirect \$173,000 in its budget to cover first-year conversion costs. At that time, the department estimated that the *annual* conversion costs would rise to \$639,000 by 1988-89, and that the *total* costs over the nine-year period would be approximately \$3.7 million. Since 1981-82, the department has spent approximately \$865,000 to convert radio equipment in the Central Coast and Hearst San Simeon regions (two of the department's five regions). Under its original schedule, the department intended to spend \$788,000 through 1983-84 to *complete* conversion in those two regions and \$400,000 during 1984-85 to begin conversion in the Inland region. Thus, the department has taken approximately one more year, and spent about 10 percent more funds than it originally estimated to convert radios in the first two regions.

The department's \$2,007,000 augmentation request for 1985-86 is intended to complete conversion of the Central Coast and Hearst San Simeon regions and to carry out conversion of the Inland region. It has not, however, identified the estimated costs for its scheduled conversion of the Northern and Southern regions during 1986-87 through 1989-90. If the annual expenditures for that period are the same as the amount requested

DEPARTMENT OF PARKS AND RECREATION—Continued

by the department for 1985–86, the department will need approximately \$11.3 million over the next five years to complete the program. Under these circumstances, the total program cost, including the \$865,000 already spent, would be \$12.2 million—\$8.5 million, or 230 percent, above the department's original cost estimate.

The department has not explained why the cost of this project has grown so dramatically, nor has it justified the project in light of current costs. Consequently, we cannot recommend that the requested augmentation be approved, and instead, we recommend that the \$2,007,000 requested for radio system conversion be deleted, for a corresponding savings to the General Fund (Item 3790-001-001). We recommend approval of the \$250,000 included in the department's base budget for this purpose, so that the department can purchase equipment needed to complete conversion in those *districts* where conversion already has started. We further recommend that during budget hearings, the department explain to the committees why it did not seek legislative approval prior to proceeding with a conversion program that could cost over \$12 million.

If the department can provide additional information to justify its request, or identify alternative ways to complete the conversion program at a lower cost (such as selecting only the highest priority regions or districts for radio conversion), we will reconsider our recommendation.

Increase in Funds for Deferred Maintenance is Not Justified

We recommend that \$3,255,000 requested from the General Fund for deferred maintenance/special repairs be deleted because the department has not substantiated the need for these funds. We further recommend that prior to budget hearings, the department report on the extent and nature of its deferred maintenance/special repairs backlog and provide a schedule for eliminating the backlog.

The budget requests \$3,255,000 in 1985–86 for “deferred maintenance/special repairs.” According to the department, this request is intended to address a backlog of maintenance and repair requirements throughout the state park system. This backlog has arisen because of contract freezes and other budgetary restrictions in recent years. The amount requested would, in a sense, constitute a temporary augmentation of the department's budget for facility operations (\$9,080,000). The budget also requests \$4,032,000 for minor capital outlay projects in Item 3790-301-392. Many of those projects are similar to those that would be funded with the deferred maintenance/special repairs allocation.

By definition, expenditures for deferred maintenance/special repairs are not part of the department's base budget. Instead, these expenditures are for needs that *should* have been addressed in prior years but were not. The \$3,255,000 request for deferred maintenance/special repairs in 1985–86 represents an increase of \$1,497,000, or 85 percent, above the amount the department estimates it will spend for this purpose in the current year.

Although the department has spent large amounts for several years in an effort to reduce the backlog of deferred maintenance and special repairs, it is likely that a backlog still exists. At this point, however, the Legislature has no way of knowing the size of this backlog, or what is needed to address it. The department has not provided the Legislature with any information to justify the amount requested. Accordingly, we cannot recommend approval of the \$3,255,000 requested for deferred

maintenance/special repairs, and instead must recommend that these funds be deleted. We further recommend that the department report prior to budget hearings on the extent and nature of its deferred maintenance/special repairs backlog, and propose a schedule for eliminating this backlog. If the department provides information that justifies a specific amount of funding for deferred maintenance/special repairs in 1985-86, we will reconsider our recommendation.

Additional OE&E Increases are Not Justified

We recommend that \$318,000 requested from the General Fund be deleted because the department has not documented the need for these funds.

The budget requests \$539,000 from the General Fund for additional operating expense and equipment (OE&E) expenditures at eight park units. We recommend that this amount be reduced by \$318,000 because the department has not justified additional expenditures at four of the eight park units. The requests for these four units are discussed below:

State Railroad Museum—Reduce by \$149,000. The department requests \$149,000 to replace worn out carpets and an emergency electrical power system, and to repair rail cars and engines, at the State Railroad Museum in Sacramento. According to the department, the additional funds are needed because its current budget for facility operations at the railroad museum is not adequate to meet the museum's ongoing needs. The budget change proposal, however, does not include any information (1) regarding the amount currently allocated in the department's budget for these types of expenditures, (2) describing how these funds are used or (3) describing the museum's ongoing OE&E needs. Without this information, we cannot advise the Legislature on the appropriate amount, if any, that should be provided as an augmentation, and we therefore recommend deletion of the \$149,000.

Ano Nuevo State Reserve—Reduce by \$66,000. The department requests a permanent increase in its base budget of \$66,000 to contract for guide services needed to allow additional elephant seal tours at the state reserve and to fund associated operating expenses. The department has not specified the number of guide hours it intends to contract for or the basis upon which it determined the amount requested. Accordingly, we recommend deletion of the \$66,000.

San Luis Obispo District Office—Reduce by \$13,000. The budget request includes \$25,000 as a permanent increase to the department's base budget in order to pay for increased rental costs for its district office in San Luis Obispo (one of 50 district office statewide). Our analysis indicates that the increase in rental costs will be only about \$12,000 in 1985-86. Accordingly, we recommend a reduction of \$13,000.

Klamath District Office. Reduce by \$90,000. The department is requesting a permanent increase of \$90,000 to its annual base budget in order to fund new office and shop complexes for its Klamath District headquarters in Eureka. The proposal includes the leasing of newly constructed facilities and would provide an expansion of office space from the present 1,200 square feet to 2,415 square feet. The proposal also provides for the following: a mechanics' shop and carpenters' shop totaling 6,800 square feet, a 1,000 square foot warehouse, and a 25,000 square foot service yard. The department has not justified the need for either the significant increase in the floor space or the large increase in costs for this district headquarters. Accordingly, we recommend deletion of the \$90,000 requested.

DEPARTMENT OF PARKS AND RECREATION—Continued**Ownership Mapping Needs Should Be Met with State Personnel**

We recommend that \$100,000 requested for contract services for land ownership mapping be used instead to hire additional personnel because it will be more cost-effective to perform this work with state personnel.

The department requests an augmentation of \$115,000 from the State Parks and Recreation Fund (Item 3790-001-392) to contract out the additional workload associated with preparing and updating ownership maps of state park units. These maps delineate park boundaries and easements, rights of way, and other encumbrances on park properties. The maps are needed to properly manage park properties and to identify instances of trespass and encroachment on park property.

Due to prior-year redirections of staff and funding, the department has a large backlog of ownership mapping workload. According to the department, at least 65 state park units out of 278 statewide have no ownership maps at all. Maps for many of the remaining units in the system require updating to include parcels which have been acquired in recent years.

Until 1978, the department had six positions authorized for preparation of ownership maps. Because of various personnel cutbacks and redirections, the department's ownership mapping section is now staffed by only 2 persons. This has led to the large backlog. The department maintains that even with six personnel-years assigned to ownership mapping, it would take more than 17 years to eliminate the current backlog.

The department proposes to spend an additional (a) \$100,000 per year to contract for the preparation of maps by private contractors, and (b) \$15,000 per year to augment an existing map preparation contract that it has with the Department of Water Resources. According to the department, the private contractor would charge approximately \$40 an hour. Thus, \$100,000 would buy approximately 2,500 person-hours of time.

Although we believe that the department's estimate may overstate the magnitude of the backlog, we agree that a significant backlog exists and that it needs to be reduced through a concerted program likely to last several years. Our analysis indicates, however, that it would be much more economical to address the backlog by hiring additional state personnel. The \$100,000 would be sufficient to fund three additional state positions (one delineator and two civil engineering technicians). These positions would give the department approximately 5,500 personnel-hours of work annually. Thus, using the requested funds to hire state staff would allow more than twice as much workload to be accomplished for the same cost.

We therefore recommend that the \$100,000 requested for private contracting services be used instead to fund an additional three personnel-years to prepare ownership maps. On this basis, we also recommend approval of the \$15,000 requested for additional contract work to be performed by the Department of Water Resources.

Augmentation for Training is Not Justified

We recommend a reduction of \$222,000 to eliminate overbudgeting for the training program. We further recommend an additional reduction of \$250,000 requested for training and other unspecified purposes because the need for a requested augmentation has not been established.

The budget requests a total of \$939,000 to fund training programs in

1985-86. The department's budget change proposal (BCP), however, states that its program requirements for training in 1985-86 will total \$717,000. The additional \$222,000 requested by the budget is the result of a technical error. We recommend a reduction of \$222,000 to correct this error. (The budget does not identify the funding source for the \$222,000. In any case, the savings here should be used to reduce the General Fund appropriation.)

The BCP requests a permanent increase to the department's base budget to (1) augment training programs by \$50,000 and (2) replace \$200,000 which the department redirected in the current year from other activities to its training programs. The department apparently identified low-priority activities in the current year that it could defer or eliminate. In effect, the \$200,000 augmentation would be used to restore funds for those activities, rather than for an increase in training above the current-year level. Since the proposal does not identify these activities, however, it is not clear what the Legislature is being requested to fund.

It also is not clear why the increase of \$50,000 for training purposes is necessary. The estimated current-year expenditures (including the redirected funds) of \$667,000 represent an increase of \$421,000, or 171 percent, above actual expenditures for training in 1983-84 (\$246,000). According to the department, a further augmentation is necessary because of inflation and because of increased training requirements for peace officers resulting from collective bargaining agreements. The department has not specified how much of the increases in training time and costs are due to each of these effects.

In sum, the department has not justified a need to augment training funds, nor has it identified the activities that will be funded with the \$200,000 requested. We therefore recommend a reduction of \$250,000 requested from the State Parks and Recreation Fund for additional training and unspecified activities.

Progress on Property Management Program is Uneven

We recommend that \$150,000 requested from the General Fund for the property management program be deleted because the department has not justified why these costs should be increasing when the properties under interim management should be decreasing. We further recommend that the Legislature adopt supplemental report language to continue reporting requirements and legislative directions included in the 1984 supplemental report. Finally, we recommend that during budget hearings, the department explain why it disregarded a legislative directive regarding property leases and clarify its interpretation of the reporting requirements imposed by the Legislature.

Chapter 752, Statutes of 1982, and Ch 439/83 mandate the transfer of state park properties from the Department of General Services (DGS) to the Department of Parks and Recreation (DPR). The legislation also requires DPR to request sufficient funds in its budget to operate and maintain the transferred properties.

The budget requests \$1 million from the SPRF for interim management of these properties in 1985-86. It is our understanding that the request consists of approximately \$800,000 for interim management activities to be performed by the DPR and approximately \$200,000 to reimburse DGS through an interagency agreement for various management services.

Legislative Action to Increase Public Access. At the end of 1982-83, approximately 85,000 acres of properties acquired for the state park sys-

DEPARTMENT OF PARKS AND RECREATION—Continued

tem over a 15-year period remained under the jurisdiction of DGS and were unavailable for public use. These properties were acquired at a cost to the public exceeding \$175 million.

The Legislature, in the *Supplemental Report of the 1983 Budget Act*, authorized DPR to contract with DGS to manage those properties which were not yet ready for public use. In addition, however, the Legislature identified specific properties that it expected the department to open for public use by the end of 1983-84. These properties are located at the following six state park units: Anderson Marsh, Chino Hills, Garrapata Beach, Mount Diablo, Wilder Ranch, and the Leland Stanford Home.

The Legislature also requested the department to report quarterly, beginning October 1, 1983, on the status of each of the properties transferred to it, and on the progress achieved in making each property available for public use.

The Legislature adopted similar language in the *Supplemental Report of the 1984 Budget Act* which (1) extended to September 1, 1984, the date by which the department would provide for public use of properties at Chino Hills, Garrapata Beach, Mount Diablo, and Wilder Ranch and (2) extended the reporting requirements to include (a) identification of properties that may be excess to state park needs and (b) prior notification of proposed leases or lease extensions on the properties under interim management by DGS.

Park Properties Remain Closed to the Public. In response to these legislative directives, the department has provided for initial public use at Anderson Marsh and is requesting positions in the 1985-86 budget to staff the Stanford Home and Chino Hills. At the time this analysis was prepared, most of the properties in question at Mount Diablo and Garrapata Beach still were unavailable for public use, and the department did not have plans to open them by any specific date.

The department notified the Legislature on January 23, 1985, that it intends to provide five-year extensions to leases for agricultural use of 653 acres of coastal property at Wilder Ranch State Park in Santa Cruz County. The department, however, did not explain why, despite the legislative directive that these lands be made available for public use, it intends to continue leasing them.

Budget Request for Property Management. The department's budget request for interim management purposes in 1985-86 does not identify the properties that DGS will continue to manage on behalf of DPR. Although the budget shows estimated program expenditures of \$1 million in the current year, the department has not provided detailed information regarding these expenditures. One of the purposes of the quarterly progress reports requested by the *Supplemental Report of the 1984 Budget Act* is to provide this very information. At the time this analysis was prepared, the department had not submitted reports for the first two quarters of the current year.

The department spent \$850,000 for interim property management in 1983-84. Although the backlog of properties under interim management should be decreasing as properties are incorporated into state park system operations, the department is requesting \$150,000 more for interim management in 1985-86 than it spent in 1983-84. Lacking justification for any increase above actual expenditures in 1983-84, we recommend a reduction of the \$150,000 requested from the SPRF for property management and approval in the reduced amount of \$850,000.

Supplemental Report Language. The language adopted by the Legislature in the *Supplemental Report of the 1984 Budget Act* stated that during 1984–85, no terms of any lease on properties under interim management shall be extended, nor shall any lease be entered into, until 30 days after the Legislature has received notification of the proposed action. The department, nevertheless approved a new lease for the Stanford Home on October 25, 1984, *without notifying the Legislature*, even though the supplemental report language specifically mentions the Stanford Home.

The Director of Parks and Recreation, in a letter to our office dated January 8, 1985, stated that he considered the lease at the Stanford Home to be exempt from the language's reporting directive because the lease was "in the process of being renewed prior to the passage of the 1984 Budget Act." We believe the Director's conclusion is inconsistent with both the letter and intent of the supplemental report language adopted by the Legislature. We therefore recommend that the department (1) advise the fiscal committees why it disregarded the Legislature's directive regarding the Stanford Home lease, and (2) clarify for the fiscal committees the basis upon which it will act with regard to other leases that are subject to the supplemental report language.

We recommend that the Legislature once again adopt supplemental report language continuing the reporting requirements and basic legislative directives to make park properties available for public use as quickly as possible. We will recommend specific language, once we have reviewed (1) the quarterly reports required for the current year but not yet received and (2) information on the specific properties proposed for interim management during 1985–86.

State Park Concession Contracts

We withhold recommendation on the department's 1985–86 concession proposals pending (1) further review of the specific proposals and (2) receipt of the annual concessions statement required by law.

Public Resources Code Section 5080.20 (added by Ch 1487/82) requires that the Legislature review and approve all proposed concession contracts—new or amended—that involve a total investment or estimated annual gross sales in excess of \$100,000. The department has submitted the following concession proposals to the Legislature for approval pursuant to Section 5080.20:

1. Corona del Mar State Beach—food service.
2. San Elijo State Beach—food service.
3. San Buenaventura State Beach—restaurant.
4. El Pueblo de Los Angeles—21 concessions on Olvera Street.
5. Statewide Campsite Reservation System.

Although the department has submitted supporting information on four of these proposals, the information was submitted too late to permit an adequate review of the proposals for this analysis. No information at all has been provided on the 21 proposed concessions at El Pueblo de Los Angeles State Historic Park. In the *Supplemental Report of the 1983 Budget Act*, the Legislature instructed the department to submit these 21 concessions for review as part of the 1985–86 budget.

Section 5080.21 requires the department to prepare an annual report on its existing concessions operations for the preceding fiscal year. In our *Analysis of the 1984–85 Budget Bill*, we identified shortcomings in the

DEPARTMENT OF PARKS AND RECREATION—Continued

department's concessions report for 1982-83. One of the report's shortcomings was its failure to comply with the specific requirements regarding content set forth in Section 5080.21.

At the time this analysis was prepared, the department had not completed its report for the 1983-84 fiscal year. The department should submit this report prior to budget hearings on concession contracts proposed for 1985-86 so that the Legislature can review these contracts in the context of the department's overall concession program. The concessions report should include (1) a *comprehensive* listing of concessions contracts in the state park system and (2) a listing of contracts entered into during 1983-84 and the current year. For each contract, the report should indicate the term, expiration date, renewal options (if any), a synopsis of rental terms, gross sales, and identification of agencies receiving rents. Finally, the report should include a statement of the department's plans for all concession contracts which are (1) subject to the requirements of Section 5080.20 and (2) expire on or before December 31, 1986.

We withhold recommendation on the department's concession proposals for 1985-86 pending review of (1) the specific proposals and (2) the department's 1983-84 concessions report.

Unjustified Bypass of Legislative Review

We recommend that the department present prior to budget hearings certain additional concession proposals for legislative review.

Under certain circumstances, Public Resources Code Section 5080.20 provides an alternative to legislative review of state park concession proposals. If the State Public Works Board determines that (1) a proposed concession could not have been presented to the Legislature in the course of its consideration of the Budget Bill and (2) it would be adverse to the public interest to defer review until the Legislature next considers a Budget Bill, the board may approve the contract after providing 20 days written notification to the Legislature.

In a letter to our office dated December 21, 1984, the department identified five concession proposals that it intends to present for board review, rather than legislative review. We are not aware of any reasons why the department could not present four of these five proposals to the Legislature for its review. In fact, the department specifically assured the fiscal subcommittees during the hearings on the 1984-85 budget that one of these proposals (El Presidio de Santa Barbara) would be included in its 1985-86 budget request.

Accordingly, we recommend that the department present, as part of its 1985-86 budget request, the following concessions for review by the Legislature: El Presidio de Santa Barbara, Mendocino Woodlands, Silverwood Lake, and Malibu Pier.

Legislation Needed for State Park System Plan

We recommend enactment of legislation requiring the department to prepare a state park system plan and to update the plan biennially.

The budget proposes \$1,059,000 and 21 personnel-years for the department's planning division in 1985-86. The planning division is responsible for the department's statewide planning efforts, including preparation of the California Outdoor Recreation Resources Plan (CORRP), the Multi-Year Capital Outlay Program (MYCOP), and the State Park System Plan.

The department's development division is responsible for planning the development of *individual* park units (commonly known as general plans).

The CORRP consists of a series of studies and plans (including the state park system plan) prepared on an ongoing basis in order to maintain the eligibility of California state and local agencies for grants from the federal Land and Water Conservation Fund. The MYCOP is a listing of the department's five-year capital outlay spending estimates, by project, and is updated every six months. The state park system plan is the element of the CORRP that focuses on the acquisition, development, and operational needs of the state park system—those lands and facilities that are under the jurisdiction and management of the department.

Shortcomings of the State Park Plan. In 1976, the Legislature recognized that the Department of Parks and Recreation lacked adequate planning capability to meet the demands imposed by the 1974 and 1976 Park Bond Acts. Accordingly, it directed the department in the *Supplemental Report of the 1976 Budget Act* to develop planning policies and methodologies, and to organize and implement an ongoing state park system planning process. In subsequent years, the Legislature provided funds for additional planning positions and a statewide needs analysis study. In addition, the Legislature, in the *Supplemental Report of the 1978 Budget Act*, directed the department to submit to the Legislature an updated state park system plan on a biennial basis, with the first plan due on September 1, 1979.

The department completed the state park system plan in March 1980. In our *Analysis of the 1980-81 Budget Bill*, we identified a number of shortcomings in the plan including the lack of specific information about program objectives and the timing and costs of programs identified in the plan. The department completed its first update of the plan in June 1982. In our judgment, the 1982 update improved the 1980 plan but, once again, it was not specific or detailed enough to serve as a decision-making tool.

According to the schedule included in the 1978 supplemental report, the most recent plan update was due to the Legislature on September 1, 1983. At the time this analysis was prepared, the department had not completed that update. The department anticipates that it will complete the biennial update by the end of the current fiscal year, or about one year and nine months late. The department states that completion of the update was delayed by the demands placed upon planning division staff by passage of the 1984 Park Bond Act, which requires the department to evaluate and rank all projects nominated for funding from the Parklands (Bond) Fund of 1984 and to report its recommendations to the Legislature by March 1, 1985.

The department's explanation, however, is not satisfactory. In the first place, the update was already five months overdue when the bond act was chaptered (February 1984) and nine months overdue when it was approved by the voters (June). Second, one major objective of an updated system plan is to provide an information and policy framework that can guide the department in making decisions about the *extent* of its capital outlay needs and the *allocation* of its capital outlay resources. The department's failure to complete the plan on schedule leaves it without an adequate framework for evaluating projects that have been nominated for funding from the 1984 Park Bond Act.

The state park system has become increasingly large and diverse over time and continues to expand. The department and the Legislature need

DEPARTMENT OF PARKS AND RECREATION—Continued

a system plan that incorporates new information and recognizes changing circumstances, so that state park needs can be addressed on a comprehensive and rational basis. The Legislature has provided statutory guidance on the planning elements that are to be included in resource inventories, management plans, and general plans for *individual* park units. To date, however, the only specific legislative guidance provided to the department on its *systemwide* planning efforts is a brief directive in the *Supplemental Report of the 1978 Budget Act*. We believe that legislation is needed to guide the preparation of the department's state park system plan.

We therefore recommend enactment of legislation requiring the department to prepare a state park system plan and to update the plan biennially. The legislation should specify the major objectives and elements of the plan. We believe the stated objective of the plan should be to serve as a detailed information and policy framework to guide (1) preparation of the department's annual budget requests (for *both* capital outlay and support) and (2) the structuring of future park bond measures. The plan should include the following:

- A statewide *inventory* of park lands and facilities of statewide or regional significance (including those under the jurisdiction of other public agencies), appropriate measures of the availability and use of local parks (for example, acreage, funding, attendance) for each city and county, and *identification* and prioritization of unmet park and recreational needs in the state that can be met most effectively through the department's programs.
- The most recent, MYCOP, with narratives describing capital outlay priorities and specific needs to be met by each project. (The present MYCOP does not discuss priorities or needs.) Updates of the MYCOP between plan revisions also should include these discussions.
- A schedule of future staffing and operating expense needs based on the MYCOP and on identified staffing standards.
- A schedule for the preparation of general plans for individual park units, including estimates of staff time and resources needed to prepare each plan.
- Identification and discussion of major issues regarding overall management and operation of the park system.
- Identification of program areas where further action or study will lead to more cost-effective and efficient management and operation, and a specific plan to carry out necessary actions and studies.

No Plans for Franks Tract Study

We recommend that during budget hearings, the department explain why it does not intend to carry out a recreation assessment study for Franks Tract State Recreation Area (SRA) requested by the Legislature.

The Legislature appropriated \$126,000 in the 1984 Budget Act for concession feasibility studies. The Legislature approved these funds after the department provided a list of specific proposed studies. (The department was to make final selections from among these studies after passage of the 1984 Budget Act.) The Legislature appropriated an additional \$30,000 for the department to use in conducting a recreation/concession assessment study of Franks Tract SRA, located in the heart of the Sacramento-San Joaquin delta. The Legislature also provided specific di-

rectives regarding that study in the *Supplemental Report of the 1984 Budget Act*.

The Governor vetoed the \$30,000 provided for the Franks Tract study on the basis that "studies such as these are part of the department's normal operation, and an augmentation is not required." In a memo to our office, however, the department stated that it would not carry out the study because "the Governor vetoed the funding for this report."

We note that of the \$126,000 approved by the Legislature (and the Governor) for concession studies, the department now plans to (1) spend a total of \$55,000 for studies *that were not identified on the list provided to the Legislature* and (2) set aside \$11,000 for "contingencies." At the time this analysis was prepared, however, the department acknowledged that none of the \$126,000 had been encumbered by signed contracts.

The department's position on this matter is puzzling in view of (1) the Legislature's specific intent that the Franks Tract study be conducted and (2) the Governor's veto message which indicated that he considers the study appropriate for funding as part of the department's normal operations. We therefore recommend that the department explain to the fiscal committees why it does not intend to fund the Franks Tract study.

Technical Errors in Budgeting of Grants Administration

We recommend a schedule change in Item 3790-101-722 to correct a technical budgeting error. We further recommend a reduction of \$17,000 to Item 3790-101-722 and a corresponding reduction to reimbursements in Item 3790-001-001 to correct overbudgeting of travel funds.

Item 3790-101-722 includes \$22,500,000 from the Parklands (Bond) Fund of 1984 for Roberti-Z'berg grants. Of this amount, the department intends to transfer \$225,000 to its support budget for project review. (Traditionally, project review is funded from the appropriate local assistance funding source.) The budget inadvertently omitted scheduling these project review funds, so that the entire \$22,500,000 appears to be designated for grants.

To correct this error, we recommend that the local assistance Item 3790-101-722 be adjusted by increasing the amount scheduled for project review by \$225,000 and decreasing the amount scheduled for grants correspondingly.

The budget requests an additional \$75,000 and one new position in 1985-86 from the Parklands Fund of 1984 for project review in connection with local grant programs *other* than the Roberti-Z'berg program. This amount includes \$30,000 for travel, on the assumption that the *one* new person hired will be on state-related travel *350 days a year*. We recommend a reduction of \$17,000 in Item 3790-101-722 (and a corresponding reduction to reimbursements in Item 3790-001-001) in order to correct this overbudgeting. The remaining \$13,000 will provide adequate funds for travel for this position in 1985-86.

General Fund Should Not be Used for Grants Administration

We recommend a reduction of \$227,000 requested from the General Fund for grants administration because the department has not justified (1) the unusually large increases in the cost of this program and (2) use of General Fund monies for this purpose.

The budget shows that an estimated \$1,270,000 will be spent in the current year for administration of local assistance grants, including \$223,000 from the General Fund. The Governor's Budget for 1984-85 did not

DEPARTMENT OF PARKS AND RECREATION—Continued

request funds from the General Fund for this purpose and the Legislature did not approve General Fund money for this purpose in enacting the 1984 Budget Act. According to the department, the \$223,000 has been redirected from elsewhere in the budget because the amount approved in the 1984 Budget Act from various local assistance funding sources for grants administration was not adequate.

The budget requests a total of \$1,363,000 for grants administration in 1985-86, including \$227,000 from the General Fund. The department has not justified the need for General Fund support of this program in either the current year or the budget year. None of the grants will be from the General Fund. Nor has the department explained why the proposed cost per position in this program (\$65,845) is 41 percent higher than actual expenditures per position in 1983-84 (\$46,655). Lacking justification for (1) the unusually large increase in administrative costs and (2) use of the General Fund to support this program, we recommend a reduction of \$227,000 to Item 3790-001-001 to delete the funds requested for this purpose from the General Fund.

Matching Funds for Local Project Should be Required

We recommend approval of \$300,000 requested from the Environmental License Plate Fund (Item 3790-101-140) for a local assistance grant to the City of Walnut Creek. We further recommend that the Legislature adopt Budget Bill language providing that the state funds may not be encumbered until sufficient nonstate funds are available to assure completion of the project.

The budget requests \$300,000 from the Environmental License Plate Fund for a local assistance grant to the City of Walnut Creek. The purpose of the proposed grant is to fund (1) architectural drawings and (2) the design and construction of exhibits for a new building for the Alexander Lindsay Junior Museum. The museum is operated as a joint venture by the City of Walnut Creek and the Alexander Lindsay Junior Museum Association.

According to the budget proposal, the construction costs of the new building, which are estimated (on a preliminary basis) to be \$2 million, will be financed from the proceeds of a fundraising campaign conducted by the association. The City of Walnut Creek has indicated that it will contribute toward the costs of the project, once it confirms that a successful fund raising campaign is under way.

We believe that state contributions for the preparation of architectural drawings and exhibits also should be conditioned on the availability of sufficient funds for construction of the new museum. We therefore recommend (1) approval of the \$300,000 requested and (2) adoption of the following Budget Bill language:

“No funds appropriated in this item for a grant to the City of Walnut Creek for purposes of the Alexander Lindsay Junior Museum project shall be encumbered unless and until the Director of Parks and Recreation certifies that, based on competent estimates, sufficient nonstate funds are available, in combination with this appropriation, to complete the project, including all costs of design and construction of the building and exhibits.”

DEPARTMENT OF PARKS AND RECREATION—CAPITAL OUTLAY

Item 3790-301-036 from the General Fund, Special Account for Capital Outlay

Budget p. R 132

Requested 1985-86	\$12,338,000
Recommended approval	5,498,000
Recommended reduction	2,202,000
Recommended augmentation	1,351,000
Net recommended approval	6,849,000
Recommendation pending	4,638,000

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

Analysis
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1. Rationale for Use of SAFCO Funds. Recommend that department report at budget hearings on why it has chosen to exclude from the study process established by the 1984 Bond Act those projects that it proposes to fund from SAFCO. 551
2. Acquisition Costs. Recommend approval. 552
3. Benbow Lake SRA—Dam Repairs. Withhold recommendation, pending review of updated cost estimate. 553
4. *Design and Construction Planning. Augment by \$1,351,000.* Recommend augmentation to this item, in lieu of the funds requested for design and construction planning in Item 3790-301-721, to avoid overappropriating the Parklands Fund of 1980. 553
5. *Empire Mine SHP—Mine Shaft Access. Reduce by \$121,000.* Recommend deletion of funds requested for elevator shaft working drawings because the proposed work is too expensive for the marginal benefit provided to park visitors. 553
6. Folsom Lake SRA—Campground. Withhold recommendation, pending receipt of revised plans, specifications and cost estimate. 554
7. Hearst San Simeon SHM—Continuing Rehabilitation. Withhold recommendation, pending receipt and analysis of rehabilitation needs survey required by *Supplemental Report of the 1984 Budget Act.* 555
8. *Malakoff Diggins—Study. Reduce by \$32,000.* Recommend reduction because the amount requested exceeds what is needed to complete studies. 555
9. *Millerton Lake SRA—Administration Building. Delete \$300,000.* Recommend deletion because design and costs are excessive. 556
10. Minor Projects. Recommend approval. 556
11. *Plumas-Eureka SHP—Structural Stabilization. Delete \$294,000.* Recommend deletion because department has not defined the ultimate scope and cost of the project, nor explained its priority. 557
12. Pre-budget Appraisals. Recommend approval. 557

DEPARTMENT OF PARKS AND RECREATION—CAPITAL OUTLAY—Continued

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| 13. Preliminary Planning. Recommend approval. | 557 |
| 14. <i>San Onofre SB—Water Supply Contract. Delete \$100,000.</i> Recommend deletion because it will be more economical to pay for water through annual charges than through the proposed lump sum payment. | 558 |
| 15. <i>San Onofre SB—Campground. Reduce by \$220,000.</i> Recommend reduction to delete non-construction-related items because the department has not justified the need for these items. Withhold recommendation on the remaining \$1,386,000 requested, pending receipt of plans, specifications and cost estimate. Further recommend that department report at budget hearings on its reasons for not entering into an agreement necessary to secure additional nonstate funds for this project. | 558 |
| 16. <i>Stanford House SHP—Working Drawings and Equipment. Reduce by \$15,000.</i> Recommend reduction because identical equipment is requested in department's support budget. Withhold recommendation on remaining \$289,000 requested, pending receipt of plans, specifications and cost estimate. | 560 |
| 17. <i>Statewide Natural Systems Rehabilitation. Delete \$895,000.</i> Recommend deletion because department has not provided sufficient information on either the projects themselves, how the work would be accomplished, the estimated costs, or the benefits to be derived from the projects. | 560 |
| 18. Statewide Rehabilitation or Replacement of Worn-out Facilities. Withhold recommendation, pending receipt of plans, specifications and cost estimates. | 561 |
| 19. <i>Wilder Ranch SP—Acquisition. Reduce by \$25,000.</i> Recommend reduction of \$25,000 and approval in reduced amount of \$3,880,000 because amount requested for acquisition staff overhead is excessive. | 561 |
| 20. <i>Woodson Bridge SRA—Working Drawings for Erosion Control. Delete \$200,000.</i> Recommend deletion because until the erosion control study funded in the 1984 Budget Act has been completed and reviewed, the request is premature. | 562 |
| 21. Supplemental Language. Recommend adoption of supplemental report language that describes the scope of each project approved in this item. | 563 |
| 22. Overbudgeted Construction Funds. Recommend that any funds approved in this item for construction be reduced by 3 percent to eliminate overbudgeting caused by excessive inflation adjustments. | 563 |

OVERVIEW OF THE BUDGET REQUEST

The budget requests \$12,338,000 in 1985-86 from the Special Account for Capital Outlay (SAFCO) in the General Fund for the Department of Parks and Recreation's capital outlay program. The request includes funds for nine major and various minor capital outlay projects. An additional \$17,281,000 is requested for parks capital outlay projects in other items of the Budget Bill. Table 1 shows the department's total capital outlay program, by funding source, as proposed in the budget.

Table 1

Department of Parks and Recreation
Proposed Capital Outlay for 1985-86, by Funding Source
(dollars in thousands)

Item	Fund	Budget Bill Amount
3790-301-036	General Fund, Special Account for Capital Outlay	\$12,338
3790-301-140	Environmental License Plate Fund	500
3790-301-263	Off-Highway Vehicle Fund.....	10,055
3790-301-392	State Parks and Recreation Fund	4,032
3790-301-721	Parklands Fund of 1980 (Bond)	1,351
3790-301-722	Parklands Fund of 1984 (Bond)	190
3790-301-728	Recreational and Fish and Wildlife Enhancement Fund (1970 Bond).....	100
3790-301-733	State Beach, Park, Recreational, and Historical Facilities Fund of 1974 (Bond)	78
3790-302-742	State, Urban, and Coastal Park (1976 Bond)	375
3790-301-890	Federal Trust Fund	600
Total		\$29,619

1984 Park Bond Act

The department currently is studying *more than 600 projects* which have been nominated for funding from the Parklands (Bond) Fund of 1984. Under the provisions of the 1984 Park Bond Act (Ch 5/84), the department is required to study each project nominated by the State Park and Recreation Commission, the Coastal Commission, the Resources Secretary, or any member of the Legislature. The bond act requires the department, by March 1, 1985, to submit to the Legislature a report containing a prioritized listing and comparative evaluation of all projects nominated for study prior to January 1, 1985.

The bond act authorizes a total of \$155 million for state park system capital outlay appropriations.

According to the Department of Finance, the 1985-86 capital outlay funding request from the Parklands Fund of 1984 will be based on the contents of the required report, and will be submitted to the Legislature in the form of a budget change letter during March. (A minor amount has been proposed from that fund for planning purposes in the Governor's Budget.) We expect that the request for 1984 bond funds will represent a major addition to the department's proposed capital outlay program for 1985-86.

ANALYSIS AND RECOMMENDATIONS

Rationale for Use of SAFCO Funds is Not Clear

We recommend that the department explain to the fiscal committees why it has chosen to exclude from the study process established by the 1984 Park Bond Act those projects proposed for funding from SAFCO so that the Legislature may understand the basis for the department's budget proposal.

It is not clear that the department has applied a consistent set of criteria in selecting projects for funding under its proposed capital outlay program.

Most of the parks capital outlay projects proposed for funding from SAFCO also appear to be eligible for funding from the 1984 Park Bond Act.

DEPARTMENT OF PARKS AND RECREATION—CAPITAL OUTLAY—Continued

The department, however, has chosen not to subject these projects to the same comparative evaluation and priority ranking that it is using to select projects for funding from the bond act. The department has not provided the Legislature with any rationale for excluding these projects from the evaluation and ranking process. As a result, the Legislature has no assurance that only the highest-priority projects have been—or will be—proposed for funding in 1985–86.

We recommend that the department report to the fiscal committees at budget hearings on the rationale for its decision not to include in the comparative evaluation and priority ranking process those projects proposed for funding from SAFCO, so that the Legislature may understand the basis upon which the department has made these decisions.

Capital Outlay Budget Packages Are Not Complete

The State Administrative Manual (SAM) establishes a process and schedule for the preparation of capital outlay budget information packages for development projects *before* these projects are proposed for funding in the Governor’s Budget. The requirements set forth in the SAM apply to projects proposed by most state agencies, including the Department of Parks and Recreation. This process requires that, prior to submission of the budget, budget packages be prepared, containing detailed project narratives and economic analyses. Most budget packages also are supposed to include schematic drawings, outline specifications, and detailed cost estimates prepared by the Office of the State Architect.

According to the requirements in the SAM, packages for these capital outlay projects funded in the 1985–86 budget were to have been completed for review by the Department of Finance on September 1, 1984. As of early January 1985, however, the *Department of Parks and Recreation had not completed budget packages for 9 of the 11 major development projects proposed* in the budget. The administration’s failure to adhere to its own established schedules has resulted in budget proposals that lack the information needed by the Legislature to review them. Consequently, in many instances, the proposals in the budget are not adequately justified. Where this is the case, we have either withheld recommendation or recommended disapproval.

Additional Staffing May be Needed for Capital Outlay Projects

The delays in developing budget information, coupled with a continuing major backlog of funded development projects, raise serious questions about the department’s ability to handle its capital outlay workload with existing staff. The budget states that the department’s capital outlay staffing needs will be addressed in the budget change letter that proposes additional projects for funding from the Parklands Fund of 1984.

(1) Acquisition Costs..... \$150,000

We recommend approval.

The budget proposes \$150,000 to cover the costs of long-range acquisition planning and staff associated with the processing of property exchanges and gifts (staff costs for funded acquisitions are paid out of amounts appropriated for individual projects). Our analysis indicates that the amount requested is justified.

(2) Benbow Lake State Recreation Area—dam repairs \$412,000

We withhold recommendation on \$412,000 requested for dam repairs, pending receipt of an updated cost estimate.

The department is requesting \$412,000 for working drawings and construction to repair the dam at Benbow Lake State Recreation Area (SRA) in Humboldt County. The dam, located on the south fork of the Eel River, is used each year between May and September to create Benbow Lake, which is used for recreational purposes by approximately 60,000 park visitors during that period. Downstream movement of gravel in the riverbed has caused serious erosion to the concrete surfaces of the dam and threatens its structural integrity. This project is designed to repair the eroded surfaces and to minimize future erosion caused by the gravel movement.

Our analysis indicates that this work is necessary. However, the Department of Water Resources currently is preparing an updated estimate of project costs for the Department of Parks and Recreation. Until this cost estimate is completed, we withhold recommendation on the amount that should be provided for this project.

(3) Design and Construction Planning \$601,000

We recommend an augmentation of \$1,351,000, and approval in the increased amount of \$1,952,000, in lieu of the funds proposed for design and construction planning in Item 3790-301-721, to avoid overappropriating the Parklands Fund of 1980.

The budget requests \$601,000 from SAFCO for design and construction planning in 1985-86. These funds will be transferred to the department's support budget (Item 3790-001-001) to fund the staff working on design and construction planning of development projects. The budget requests an additional \$1,351,000 from the Parklands (Bond) Fund of 1980 for the same purposes.

As discussed in our analysis of Item 3790-301-721, the Parklands Fund of 1980 would be *overappropriated* by \$1,217,000 if the various appropriations proposed in the budget from that fund are approved by the Legislature. We therefore recommend an augmentation to the appropriation from SAFCO in this item as a replacement for the funding proposed from the bond fund. The SAFCO is an appropriate funding source for this purpose, and will have a reserve of \$15.7 million on June 30, 1986, even if all projects funded in the budget are approved.

(4) Empire Mine State Historic Park—working drawings and construction of mine shaft access and viewing platform \$205,000

We recommend a reduction of \$121,000 to delete working drawings for the elevator shaft and approval in the reduced amount of \$84,000, because the proposed elevator is too expensive relative to the marginal benefit that it will provide.

The budget requests \$205,000 for working drawings and construction in support of a project at Empire Mine State Historic Park. This project envisions the excavation and construction of a 90-foot vertical elevator shaft with a ventilation system, a connecting tunnel between the vertical shaft and the existing incline shaft and a viewing platform at the 90-foot level. Visitors currently can view the mine at the 30-foot level by using a stairway in the old mine shaft. The project also includes the construction of a security enclosure and safety barrier, as well as construction of a new

DEPARTMENT OF PARKS AND RECREATION—CAPITAL OUTLAY—Continued

flight of stairs and a new viewing platform to replace the existing stairs and platform at the upper (30-foot) level.

Empire Mine State Historic Park is located on the western slopes of the Sierra Nevada about 50 miles northeast of Sacramento, adjacent to the City of Grass Valley. This mine was one of the largest hard rock gold mines ever operated in California. In recent years, the department has restored several of the buildings at the mine, including the Bourne Mansion, which was the on-site home of the mine owner. According to the department, the proposed elevator would give visitors a better understanding of the actual working conditions experienced by the hard rock miners.

Based on a cost estimate prepared in January 1984, total project costs for the elevator and associated facilities, including future construction phases, will be \$1,347,000. According to the department's planned operating schedule for the elevator, a *maximum* of 40,000 visitors will ride it every year. The department intends to charge fees (\$5 for adults, \$2.50 for children) for the elevator tour, but the fee revenue probably would cover only the operating costs of the special tour—not the capital costs.

Our analysis indicates that the proposed elevator would provide only a marginal improvement to the experience of visiting the mine. Viewing the mine at a depth of 90 feet, rather than 30 feet, will be somewhat more dramatic, but will not expose any qualitatively new feature to the visitor. Indeed, the department's revenue forecasts may be overoptimistic because many visitors may not wish to pay the fairly substantial additional fees for the short elevator ride.

In view of the major construction cost, the ancillary nature of the elevator as a park attraction, the relatively small number of visitors served, and the many other capital outlay needs of the park system, we doubt that this project has a high enough priority to warrant funding. Accordingly, we recommend a reduction of \$121,000 to delete funds requested to cover the cost of the working drawings for the elevator shaft.

Our analysis indicates that there *is* a need to remove safety hazards at the mine's upper level. We therefore recommend approval of \$84,000 for construction of the security enclosure, safety barrier, and replacement of the stairs in the inclined shaft so that the public can safely walk into the mine entrance.

**(5) Folsom Lake State Recreation Area—Negro Bar Campground—
working drawings and construction..... \$621,000**

We withhold recommendation on \$621,000 requested for this project, pending receipt of the state architect's updated plans, specifications and cost estimate.

The budget requests \$621,000 for working drawings and construction to upgrade and expand existing day use facilities and campgrounds at Negro Bar. Negro Bar is on the northern Shore of Lake Natoma, across from the City of Folsom in Sacramento County.

The project title in the Budget Bill presumably is in error in requesting funds for working drawings. The 1984 Budget Act provided \$69,000 for the preparation of all working drawings needed for this project. Since then, the department has been revising the scope of the project in order to reduce total project costs. At the time this analysis was prepared, we had not received the revised plans, specifications and cost estimate from the State Architect. We therefore withhold recommendation on \$621,000 requested for this project.

(6) Hearst San Simeon State Historic Monument—continuing rehabilitation and artifact restoration..... \$505,000

We withhold recommendation on \$505,000 requested for this project, pending receipt by the Legislature of the restoration program survey required by supplemental report language.

The budget requests \$505,000 to continue a program of building stabilization and repairs at Hearst Castle. Specifically, this request provides for (a) restoration and waterproofing of building exteriors, (b) installation of new electrical wiring and components to correct safety hazards, (c) correction of storm drainage problems causing structural deterioration to walks and terraces, (d) exterior and interior painting, (e) restoration of stucco walls and cast stone panels in the "B" house (Phase 2), and (f) replacement of ceiling and floor tiles in the Roman pool (Phase 2). The request also includes \$8,000 for artifact restoration.

The 1984 Budget Act provided \$705,000 for the restoration program at Hearst Castle, including \$10,000 for an update of the survey of restoration and preservation program needs. The last comprehensive survey was conducted in 1976. To assure that the survey would be made available for legislative review as part of any future budget request for this program, the Legislature adopted supplemental report language directing the department to transmit its 1984-85 survey of program needs to the Legislature on or before January 1, 1985. At the time this analysis was prepared, this survey had not been transmitted to the Legislature.

We withhold recommendation on the \$505,000 requested for this program, pending receipt and analysis of the survey.

(7) Malakoff Diggins State Historic Park (SHP)—sediment runoff study (Phase 2) \$107,000

We recommend a reduction of \$32,000 and approval in the reduced amount of \$75,000, because the amount requested exceeds what is needed to complete the studies.

The budget requests \$107,000 for a second and final phase of studies examining alternative methods of mitigating sediment runoff problems at Malakoff Diggins SHP in Nevada County. Erosion in this former hydraulic mining site causes turbid runoff into Humboldt Creek and the South Yuba River. The Central Valley Regional Water Quality Control Board has indicated that it may issue a cease and desist order to force the department to terminate the turbid runoff.

The 1984 Budget Act provided \$75,000 for Phase 1 studies. The Phase 2 request consists of a list of potential studies, costing \$107,000. The department indicates that it will select from that list, in consultation with the regional board, the actual studies to be performed. Accordingly, not all of the studies on the list will be performed and the full amount requested (\$107,000) should not be needed.

Lacking justification for an increase in costs above the Phase 1 level, we recommend a reduction of \$32,000 and approval of funding for Phase 2 studies in the reduced amount of \$75,000.

DEPARTMENT OF PARKS AND RECREATION—CAPITAL OUTLAY—Continued

**(8) Millerton Lake State Recreation Area (SRA)—Administration
Building—working drawings and construction \$300,000**

We recommend deletion of \$300,000 requested for a new administration building because the design and costs proposed in the budget are excessive.

The budget requests \$300,000 for working drawings and construction of a new administration building at Millerton Lake SRA. This park unit is approximately 18 miles northeast of Fresno.

The Legislature appropriated \$1,103,000 in the 1983 Budget Act to provide funds requested by the department to develop new access roads, parking areas, comfort stations, picnic areas, and other amenities at this park unit. At that time, however, the Legislature deleted \$270,000 for a new administration building because the department did not justify the need for the amount requested.

The department now is requesting a *greater amount* to construct a building based essentially on the same design. At the time this budget request was submitted, the State Architect still had not completed the updates of the plans, specifications and cost estimate for this building, which the State Administrative Manual requires be done in advance of budget submission. The department's preliminary cost estimate, however, indicates that the 2,000 square foot building would cost approximately \$220,000, or \$110 per square foot. Our analysis indicates that a prefabricated structure could be put in place with all amenities for approximately \$150,000, or \$75 per square foot.

The Legislature deleted this project two years ago because adequate justification for it had not been submitted. The department still has not justified the need for such an expensive building, nor has it submitted a completed budget package. For these reasons, we recommend deletion of the \$300,000 requested.

(9) Minor Projects \$518,000

We recommend approval.

The department requests \$518,000 in this item for the following minor projects:

- (a) Accessibility expansion program..... \$217,000
- (b) Energy efficiency program 301,000

Accessibility Expansion Program. The budget requests \$217,000 for the fifth and final phase of a program designed to increase the accessibility of 75 park units to the physically handicapped. Phase V calls for the retrofitting of facilities at 11 park units in 1985-86. The modifications will include installation of ramps, paved walks, and handrails. Curbs will be cut, doors widened, and the height of fixtures, telephones, drinking fountains, lavatories, and mirrors will be adjusted. The projects and associated costs are reasonable.

Energy Efficiency Program. The budget requests \$301,000 in 1985-86 for a continuing energy efficiency program which includes the installation of low pressure sodium lighting at various locations, motion sensor-controlled lighting in museum exhibit areas, and insulation of hot water heaters and lines. The proposed request appears reasonable in scope and cost.

(10) Plumas-Eureka State Historic Park (SHP)—structural stabilization of Mohawk Stamp Mill \$294,000

We recommend deletion of \$294,000 requested for structural stabilization of the Mohawk Stamp Mill, because the department has not justified the amount requested for 1985-86, nor has it identified the ultimate scope and cost of the project.

The budget requests \$294,000 in 1985-86 for continued stabilization and restoration of the Mohawk Stamp Mill in Plumas-Eureka SHP. This park unit is located in the northern Sierra Nevada in Plumas County.

The Mohawk Stamp Mill is an historic structure consisting of a building and stamp machines. It was erected in 1877, and now is in an advanced state of deterioration. When hard rock gold mining was conducted in this area during the late 19th and early 20th centuries, the gold-bearing ore was crushed by the stamp machines which were housed in the mill building. This request would provide partial funding for a major stabilization and restoration project, including the replacement of rotting timbers, new concrete foundation, cable and iron work, and replacement of timber sidings.

The 1978 Budget Act provided \$209,550 for initial structural stabilization (Item 503(i)). This work was completed in 1982.

The department has not identified what the total project will consist of, what the total cost will be, or what the schedule of work will be. According to a cost estimate prepared by the State Architect in 1980, the total project costs were expected to be at least \$1.3 million, implying future funding requirements of more than \$1 million. In contrast, the department's budget package indicates future year funding requirements of only \$628,000. However, the department's own multiyear capital outlay plan has no funding scheduled for this purpose in future years. Finally, the department's preliminary cost estimate for work to be performed in 1985-86 exceeds the amount requested in the budget by \$29,000.

In short, the department has not defined the ultimate scope and cost of this project, and is not altogether clear on just where it wants to go with the project. Furthermore, it has not justified the need to allocate a major amount of funds for a single structure at a park with relatively low visitation. For these reasons, we recommend deletion of the \$294,000 requested for this project in 1985-86.

(11) Pre-budget Appraisals \$90,000

We recommend approval.

The budget proposes \$90,000 to reimburse the Department of General Services for the preparation of property appraisals on behalf of the Department of Parks and Recreation. These appraisals are required before the Department of Parks and Recreation may request acquisition appropriations. Our analysis indicates that the request is justified.

(12) Preliminary Planning \$100,000

We recommend approval.

Each year, the department requests funds to reimburse the Office of the State Architect for the preparation of preliminary plans and cost estimates needed for capital outlay budget requests. Our analysis indicates that the amount requested in this item for this purpose is reasonable.

DEPARTMENT OF PARKS AND RECREATION—CAPITAL OUTLAY—Continued

(13) San Onofre State Beach—water supply contract \$100,000

We recommend deletion of \$100,000 requested for a water supply contract, because it will be more economical to comply with the contract terms through the payment of annual surcharges which should be absorbed within the department's support budget.

The budget requests \$100,000 to provide a lump sum amount for the department's share of costs under an agreement with Tri-Cities Municipal Water District in Orange County. This agreement, concluded in March 1978, provides for the district to construct a reservoir in order to provide water for San Onofre State Beach, as well as to other users in the vicinity. Through its financial participation, the department is entitled to a share of the reservoir storage capacity equivalent to two days' peak use at its San Onofre campground (which is the subject of another appropriation request, discussed below). The department agreed to seek an appropriation of \$100,000 to provide its share of the reservoir construction costs, upon completion of the reservoir. In the event it could not secure these funds, the department agreed to annual surcharges in its water rates amounting to \$10,000 per year for 10 years. These payments would be absorbed in its annual support budget.

The 1978 Budget Act appropriated \$100,000 to the department for a lump sum payment. However, the funds were still unencumbered, due to delays in construction of the reservoir, at the end of 1982-83, and the funds reverted when the 1983 Budget Act did not reappropriate them. According to the department, the water district expects to commence construction of the reservoir in the spring of 1985, and is scheduled to complete construction during the 1985-86 fiscal year.

Our analysis indicates that it would be more economical for the state to pay the annual surcharges than to make a lump-sum payment. By paying the entire \$100,000 now, the state would forego interest earnings over the 10-year period. Assuming that interest rates remain at 10 percent, the state could earn about \$45,000 in interest by paying the district in installments. The annual payments should be absorbed in the department's support budget because the department made that commitment when it signed the contract prior to seeking legislative approval.

On this basis, we recommend the deletion of \$100,000 requested for the water supply contract.

**(14) San Onofre State Beach—Parcel 1 Recreation Facility—
working drawings and construction..... \$1,606,000**

We recommend a reduction of \$220,000 in the amount requested for this project, because these funds have not been justified. We withhold recommendation on the remaining \$1,386,000 requested, pending receipt of plans, outline specifications, and cost estimates from the State Architect. We further recommend that the department report at budget hearings on why it chose to forego up to \$300,000 of nonstate funds available for this project.

The budget requests \$1,606,000 to fund working drawings and construction of a 200-unit campground at San Onofre State Beach in northern San Diego County. The campground would be located on an 80-acre flat, known as "Parcel 1," which is adjacent to San Mateo Creek and approximately one mile inland from the ocean. The proposed campground loca-

tion is within the boundaries of the U. S. Marine Corps' Camp Pendleton, on a site leased to the department by the Marine Corps. The lease expires in 2021.

At the time the budget was submitted, the estimated total project cost was \$4,606,000, or \$3,000,000 more than the amount requested in the Budget Bill. The Budget Bill item includes language which prohibits any expenditure for project construction unless sufficient nonstate funds are provided to complete the project. Presumably, the language refers to \$3,000,000 placed in a reserve account for this purpose by the Southern California Edison Company and the San Diego Gas and Electric Company, pursuant to a 1982 Coastal Commission permit requirement. The payment of funds was required as mitigation for the loss of public access to beach areas caused by the operation of the San Onofre nuclear power plant.

The 1982 Budget Act appropriated \$4 million, including the \$3 million of reserved funds budgeted as a reimbursement, for this project. However, the funds reverted on June 30, 1984, pursuant to Section 2.00 of the 1983 Budget Act, which required the reversion of any funds appropriated for working drawings and construction at the end of the fiscal year if those funds had not been allocated for expenditure by the Director of Finance. (This is a standard control section adopted in each Budget Act.) The Director of Finance was unable to allocate the funds for expenditure because of litigation pending against the Coastal Commission and the two utility companies which prevented the funds in the reserve account from being transferred to the Department of Parks and Recreation. That litigation is still pending at this time.

The reserved funds have been accruing interest since the account was established in February 1983. According to the Southern California Edison Company, the accrued interest totaled approximately \$680,000 as of December 31, 1984. At the present rate of accrual (\$35,000 per month), we estimate that approximately \$890,000 will have accrued by the start of 1985-86. Under the provisions of the Coastal Commission permit, these interest earnings are also available for purposes of this project.

According to the Coastal Commission, the establishment of the reserve account was delayed for almost a year following issuance of the permit because the department refused to enter into an agreement with the commission and the utilities for the purpose of establishing the account and providing for the subsequent transfer of funds to the department. Finally, the commission proceeded on its own to enter into an agreement with the utilities to establish the account so that further interest payments would not be foregone. The delay in establishing the account resulted in the loss of up to \$300,000 of interest earnings that would have been available for this project had the account been established on a timely basis. We are not aware of any compelling reason why the department was justified in choosing not to enter into the agreement, thereby foregoing these interest earnings. We recommend that the department report at budget hearings on its reasons for not entering into the agreement.

Our analysis indicates that facilities are needed to meet the high demand for camping along this part of the southern California coast. San Clemente SB, which is located one mile north of the San Onofre site, has a 157-site campground which is filled to capacity more than 150 nights per year. Campgrounds at Doheny SB (six miles north) and at "Parcel 3" of San Onofre SB (four miles south) experience similar saturation. According to the department, a total of 50,000 prospective campers are turned away

DEPARTMENT OF PARKS AND RECREATION—CAPITAL OUTLAY—Continued

each year at these three campgrounds.

The Legislature has already acted to support this project. It is not clear, however, that the litigation which has delayed the project for three years will be resolved during 1985-86. Given the high demand for campground facilities in this area, we believe the Legislature may wish to consider appropriating the full amount necessary to proceed with the project, while at the same time adopting Budget Bill language requiring that the state be reimbursed from the reserved funds in the event the litigation is resolved in the state's favor.

Since the State Architect has not completed updated plans, specifications and a cost estimate for the project, we cannot advise the Legislature at this time as to the amount that should be appropriated. Based on our analysis of the preliminary budget package, however, we recommend a reduction of \$220,000 for agency-retained items (non-construction-related work to be performed by the Department of Parks and Recreation), because the department has provided no justification for the amount requested. We withhold recommendation on the remaining \$1,386,000 requested in the Budget Bill, pending review of the plans, specifications, and cost estimate prepared by the State Architect.

Following this review, we will recommend approval of an appropriate project scope and cost in a supplemental analysis of the project. We also will recommend appropriate Budget Bill language that will allow the project to proceed during 1985-86, if our further review indicates that this can be done without jeopardizing the state's claim for reimbursement at a later date.

(15) Stanford House State Historic Park (SHP)—working drawings and equipment..... \$304,000

We recommend a reduction of \$15,000 for the purchase of certain items of equipment, because the department has requested funds for the identical equipment in its support budget. We withhold recommendation on the remaining \$289,000 requested for this project, pending receipt of plans, specifications, and a cost estimate from the State Architect.

The budget requests \$304,000 for working drawings, planning and equipment as the first phase of a two-phase project designed to restore the historic Stanford House in downtown Sacramento. The request includes \$29,000 for equipment purchases. We recommend a reduction of \$15,000 for certain items of equipment for which the department also has requested funds in its 1985-86 support budget.

At the time this analysis was prepared, the State Architect had not completed plans, specifications, or a cost estimate for the project. Without this information, we cannot advise the Legislature as to the appropriate scope or cost of the project. We, therefore, withhold recommendation on the remaining \$289,000 requested, pending receipt of the necessary information.

(16) Statewide Natural Systems Rehabilitation \$895,000

We recommend deletion of \$895,000 requested for natural systems rehabilitation, because the department has failed to provide sufficient information on the projects.

The department requests \$895,000 in 1985-86 for various projects intended to restore and rehabilitate natural areas in state park units. The

request includes funding for projects in the following categories:

- Scenic restoration \$200,000
- Coastal dune and bluff restoration..... \$335,000
- Erosion control \$100,000
- Miscellaneous agency-retained items \$260,000

The department requested capital outlay funds for coastal dune and bluff restoration and erosion control projects in 1982-83 and 1983-84. Both times, the Legislature deleted the funds because the department had not provided adequate information on the work to be undertaken, how the work would be accomplished, or the approximate costs of the projects. The Legislature appropriated \$300,000 in the 1984 Budget Act for these projects after the department provided information justifying its request.

With regard to the \$895,000 requested for natural systems rehabilitation projects in 1985-86, the department once again has failed to provide the Legislature sufficient information on either the projects themselves, how the work would be accomplished, the approximate costs of the projects, or the specific benefits to park visitors from the projects. Without this information, meaningful legislative review of the projects is impossible, and we therefore recommend deletion of the \$895,000 requested.

(17) Statewide Rehabilitation or Replacement of Worn-Out Facilities..... \$1,425,000

We withhold recommendation on the \$1,425,000 requested for rehabilitation of worn-out facilities, pending receipt of plans, specifications, and cost estimates from the State Architect.

The budget requests \$1,425,000 for the rehabilitation or replacement of worn-out facilities. The amount is scheduled for two projects as follows: (a) \$225,000 for the restoration of two restrooms at the Mountain Theater in Mount Tamalpais State Park and (b) \$1,200,000 to repair and resurface six miles of the Big Trees Parkway in Calaveras Big Trees State Park.

At the time this analysis was prepared, the State Architect had not completed plans, specifications, and cost estimates for these projects. Without this information, we cannot advise the Legislature regarding the appropriate scope and cost of the projects. We, therefore, withhold recommendation on the \$1,425,000 requested.

(18) Wilder Ranch State Park—acquisition \$3,905,000

We recommend a reduction of \$25,000 in the amount requested for acquisition for Wilder Ranch State Park and approval in the reduced amount of \$3,880,000, in order to eliminate excessive overhead costs for the acquisition.

The budget requests \$3,905,000 for the acquisition of approximately 950 acres, known as the Scaroni Ranch, as an addition to Wilder Ranch State Park in Santa Cruz County. At present, the Scaroni Ranch property is owned by the State Lands Commission. The property was acquired by the commission in 1977 through an exchange of state school lands authorized by Ch 973/73. (Revenues from state school lands are transferred to the State Teachers Retirement Fund under existing law.)

The 1973 legislation authorized the exchange for the express purpose of acquiring property for the state park system. As a result of the exchange, however, the Scaroni Ranch property took on the legal status of state school lands. Thus, a subsequent fair market value exchange or sale is necessary for final transfer of the property to the Department of Parks and Recreation.

DEPARTMENT OF PARKS AND RECREATION—CAPITAL OUTLAY—Continued

From 1977 until 1984, the commission and the department were unable to agree on the terms of a final transfer. In order to resolve the situation, the Legislature passed AB 3213 in 1984, appropriating \$3,870,000 from the General Fund for purchase of the property. Under the terms of AB 3213, the proceeds of the sale would have been deposited in the School Land Bank Fund (which the State Lands Commission may use to purchase other state school lands). The Governor, however, vetoed the bill, citing the need to examine the acquisition in the context of the department's overall acquisition needs and priorities through the normal budgeting process.

The amount proposed in the Budget Bill would enable the transfer of the property to the state park system to take place. Under the provisions of Public Resources Code Section 6217.5 (as amended by Ch 879/84), the funds received by the commission would be deposited in the School Land Bank Fund for use by the commission in obtaining other state school lands. The budget request also includes \$35,000 for the Department of Parks and Recreation to reimburse the Department of General Services for overhead associated with the property transfer. (Funds for this purpose were not included in AB 3213.) Since the acquisition involves nothing more than a transfer between two state agencies, the amount of Department of General Services' staff time needed should be minimal. The budget, however, funds staff time for this project on the same basis as other state park acquisitions from private parties.

We believe the amount budgeted for overhead costs is excessive. Our analysis indicates that \$10,000 would be a more reasonable figure for this purpose. Accordingly, we recommend deletion of \$25,000 requested for overhead costs.

The Scaroni Ranch Property is a much-needed addition to Wilder Ranch State Park. The budget proposal would finally carry out the legislative intent expressed more than 11 years ago in Ch 973/73. We, therefore, recommend approval of funding for the project in the reduced amount of \$3,880,000 for the acquisition, including \$10,000 for overhead costs.

(19) Woodson Bridge State Recreation Area—working drawings for erosion control \$200,000

We recommend deletion of \$200,000 requested for working drawings, because until an updated erosion control study funded by the Legislature in the 1984 Budget Act has been completed and reviewed, the request is premature.

The budget requests \$200,000 for working drawings for the design of major erosion control work at Woodson Bridge State Recreation Area on the Sacramento River in Tehama County.

The 1984 Budget Act appropriated \$12,000 for the department to contract with the Department of Water Resources for preparation of an update to the 1979 river bank erosion study. The department has indicated that this study update will not be completed until after budget hearings. Without the results of the study, the proposed appropriation for working drawings is premature, and we recommend deletion of the \$200,000 requested.

Supplemental Report Language

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

Overbudgeted Construction Funds

We recommend that the amounts approved for construction in Item 3790-301-036 be reduced by 3 percent to eliminate overbudgeting of construction costs.

The amounts requested in the Governor's Budget for construction are based on an anticipated construction cost index for July 1, 1985. At the time the budget was prepared, the Department of Finance made a reasonable estimate of the index for that date. Inflation, however, has been less than anticipated. The most recent indices, adjusted by the current expected inflationary increase of about 1/2 percent per month, indicate that construction costs in the budget are overstated by approximately 3 percent. We therefore recommend that any funds approved for construction under this item be reduced by 3 percent to eliminate overbudgeting.

DEPARTMENT OF PARKS AND RECREATION—CAPITAL OUTLAY

Item 3790-301-140 from the Environmental License Plate Fund

Budget p. R 132

Requested 1985-86	\$500,000
Recommended reduction	500,000

ANALYSIS AND RECOMMENDATIONS

(1) Emerald Bay State Park—Vikingsholm parking lot and trail—working drawings and construction \$500,000

We recommend deletion of \$500,000 requested for a project at Emerald Bay State Park, because the department cannot provide current plans, outline specifications or an updated detailed cost estimate for the project.

The budget requests \$500,000 to repave and expand a parking area and overlook along State Highway 89 at Emerald Bay State Park (Lake Tahoe), and to pave an existing hiking trail that leads from the parking area to the famous Vikingsholm building located on the shores of Emerald Bay.

According to the department's latest multi-year capital outlay plan, this project is scheduled for 1987-88, with half of the estimated \$400,000 cost to be provided by Caltrans.

The department now is requesting funds to support the entire cost of the project in 1985-86, rather than in 1987-88. The request is intended to address complaints received from (1) the California Highway Patrol regarding traffic congestion at the existing parking area, and (2) the Lahontan Regional Water Quality Control Board regarding sediment runoff into Lake Tahoe from the unpaved trail. At the time this analysis was prepared, however, the department acknowledged that neither agency had made a

DEPARTMENT OF PARKS AND RECREATION—CAPITAL OUTLAY—Continued

formal request to the department that it seek an appropriation for this project in the 1985-86 budget.

The department did not request that the State Architect prepare plans, specifications and a cost estimate prior to requesting funds for the project in the 1985-86 budget, even though the State Administrative Manual required that these materials be *completed* for the Department of Finance's review by September 1, 1984. The cost estimate provided to the Legislature to justify this budget request is a *preliminary* estimate, prepared by Caltrans in 1971, which has been "updated" for inflation.

It is evident that *something* needs to be done to address the problems at the park discussed above. At this point, however, there is no basis for determining what should be done or how much it should cost.

Based on the information available, we cannot advise the Legislature as to the appropriate scope and cost of the project, nor can we give the Legislature any assurance that approval of this request would enable the department to carry out the project successfully.

Since work on the required plans, specifications and cost estimate had not even commenced at the time this analysis was prepared, we do not believe the department will be able to produce these items in time to allow for meaningful legislative review during this budget cycle. Accordingly, we recommend deletion of Item 3790-301-140.

When the department *is* able to provide the Legislature with the information needed to consider funding for the project, we believe that the department's proposal should provide for the costs to be shared with Caltrans, as originally planned. The parking area and overlook are part of State Highway 89, and many of the motorists who stop there are en route and not visiting the state park.

DEPARTMENT OF PARKS AND RECREATION—CAPITAL OUTLAY

Item 3790-301-263 from the Off-Highway Vehicle Fund

Budget p. R 132

Requested 1985-86	\$10,055,000
Recommended approval	1,540,000
Recommendation pending	8,515,000

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

Analysis page

1. Acquisition Costs. Recommend approval. 565
2. Carnegie SVRA—Acquisition. Recommend approval. 565
3. Hungry Valley SVRA—Initial Development. Withhold recommendation, pending receipt of State Architect's plans, specifications and cost estimates for the project as a whole, including that phase funded by Ch 1298/83. 565
4. Martin Ranch—Acquisition. Withhold recommendation, pending review of (1) completed feasibility study required by Ch 858/82 and (2) revised appraisal. 566
5. Minor Projects. Recommend approval. 567
6. Opportunity Purchases. Recommend approval. Fur- 567

ther recommend Budget Bill language (a) limiting acquisitions to lands contiguous to existing SVRA units offered by willing sellers, and (b) requiring approval of specific acquisitions by Off-Highway Motor Vehicle Recreation Commission.

- 7. Pre-Budget Appraisals. Recommend approval. 567
- 8. Preliminary Planning. Recommend approval. 568
- 9. Supplemental Language. Recommend adoption of supplemental report language that describes the scope and cost of each project approved in this item. 568
- 10. Overbudgeted Construction Funds. Recommend that any funds approved in this item for construction be reduced by three percent to eliminate overbudgeting caused by excessive inflation adjustments. 568

OVERVIEW OF THE BUDGET REQUEST

The budget proposes \$10,055,000 from the Off-Highway Vehicle Fund in 1985-86 for capital outlay projects in the State Vehicular Recreation Area and Trail System.

The Off-Highway Motor Vehicle Recreation Commission, established by Ch 994/82, must review and approve all proposed capital outlay expenditures from the fund before they may be included in the budget. The commission reviewed and approved the projects requested in this item at various meetings during 1984. The commission's approval of the Martin Ranch acquisition (discussed below) was conditioned on subsequent review and approval of a feasibility study. At the time this analysis was prepared, commission review of that feasibility study had not taken place (it was scheduled for the commission's meeting on January 25, 1985).

ANALYSIS AND RECOMMENDATIONS

(1) Acquisition costs \$30,000

We recommend approval.

The budget requests funds to cover the costs of staff work involved in planning and budget preparation for off-highway vehicle acquisition projects and for staff costs involved in the processing of gifts for land exchanges. The amount requested is reasonable.

(2) Carnegie SVRA—Acquisition \$35,000

We recommend approval.

The budget requests \$35,000 from the Off-Highway Vehicle Fund for the acquisition of 40 acres in western San Joaquin County adjacent to Carnegie State Vehicular Recreation Area (SVRA). The proposed acquisition would expand the area of the SVRA available for off-highway vehicle use and would also allow the department to carry out certain erosion control efforts along a portion of the area's existing boundary. The project scope and cost are reasonable.

(3) Hungry Valley SVRA—Initial Development, Phase I \$1,500,000

We withhold recommendation on \$1,500,000 requested for development of Hungry Valley SVRA, pending receipt of plans, specifications, and cost estimates from the State Architect.

The budget requests \$1,500,000 for Phase I construction of day-use facilities at Hungry Valley SVRA, located near Gorman in the northwest corner

DEPARTMENT OF PARKS AND RECREATION—CAPITAL OUTLAY—Continued

of Los Angeles County. Although the Budget Bill refers to this as Phase I of the project, it is our understanding that the request is for Phase II. The Legislature appropriated \$435,000 from the Off-Highway Vehicle Fund for Hungry Valley in Ch 1298/83. The department has allocated these funds for Phase I of the project, which consists of working drawings and construction of an access road and day-use facilities.

At the time this analysis was prepared, the State Architect had not provided the Legislature with plans, specifications, and cost estimates for either the work funded by Ch 1298/83 or the work to be funded by the 1985-86 request. We therefore withhold recommendation on \$1,500,000 requested for Phase II work.

(4) Martin Ranch—Acquisition \$7,015,000

We withhold recommendation on \$7,015,000 requested for the acquisition of the Martin Ranch property, pending a review of (1) the feasibility study funded by the Legislature in Ch 858/82 and (2) a revised appraisal being prepared by the Department of General Services.

The budget requests \$7,015,000 from the Off-Highway Vehicle Fund for acquisition of the 46,290-acre Martin Ranch in western Fresno County. This acquisition would be used to establish a new SVRA in order to serve users from the San Joaquin Valley and southern California. The ultimate SVRA project boundaries encompass 35,640 acres, consisting of 29,360 acres of the Martin Ranch property, 5,120 acres of adjacent property owned by the Bureau of Land Management (BLM), and 1,160 acres of private inholdings. The department's proposal assumes the subsequent trade of 16,930 acres of outlying parcels of the Martin Ranch for the necessary BLM properties and private inholdings.

The proposed SVRA would be developed and managed to provide for two, three, and four-wheel drive vehicles. The preliminary estimated cost for development of the facilities is \$2.5 million, which includes the construction of an all-weather road through the SVRA to the nearby Clear Creek BLM off-highway vehicle area in San Benito County.

Chapter 858, Statutes of 1982, appropriated to the department \$35,000 from the Off-Highway Vehicle Fund for a feasibility study of this acquisition. At the time the 1985-86 budget was transmitted to the Legislature, the department had not completed this study.

Our review of a preliminary *draft* study prepared by the department indicates that the department has made preliminary decisions regarding the following issues (which Ch 858/82 specifically requires the study to address) without explaining the basis on which these decisions were made:

- Whether the site should be operated by the department or some other entity.
- The potential for providing other forms of public recreation appropriate to, or not in conflict with, off-highway motor vehicle use, including, but not limited to, hunting.
- Whether grazing should be permitted on the property.
- The potential for a more direct public access road from Fresno County to New Idria and Clear Creek.

In addition, the draft study indicates that a potentially serious problem exists regarding the provision of drinking water, but proposes no solutions.

Based on our review of the draft study, we believe the department has a substantial amount of work to do in order to complete an adequate feasibility study for this project.

We also note that the Department of General Services is revising its appraisal of the property. In view of these considerations, we withhold recommendation on \$7,015,000 requested, pending review of (1) the completed feasibility study required by Ch 858/82 and (2) the revised appraisal.

(5) Minor Projects \$1,275,000

We recommend approval.

The department requests \$1,275,000 for various minor capital outlay projects from the Off-Highway Vehicle Fund. The proposed projects include sediment detention basins at Hungry Valley SVRA (designed to prevent downstream sedimentation from erosion caused by off-highway vehicle use), trail and slope rehabilitation at Hollister Hills and Carnegie SVRAs, construction of mobilehome pads for the housing of park staff, and the expansion of a vehicle track area at Carnegie SVRA. Our analysis indicates that the scope and cost of the proposed projects are reasonable.

(6) Opportunity Purchases..... \$100,000

We recommend approval of the amounts requested for opportunity purchases. We further recommend that the Legislature adopt Budget Bill language which (1) limits acquisition to lands contiguous to existing SVRA units offered by willing sellers, and (2) requires approval of acquisitions by the Off-Highway Motor Vehicle Recreation Commission.

The budget requests \$100,000 from the Off-Highway Vehicle Fund for the acquisition of small properties which may become available on an opportunity basis in 1985-86. Our analysis indicates that the request is justified.

The Legislature, in approving funds for this purpose in the 1984 Budget Act, adopted Budget Act language which limits acquisitions to properties contiguous to existing SVRA units offered by willing sellers. The language also required approval of specific acquisitions by the Off-Highway Motor Vehicle Recreation Commission. We believe that these conditions are a prudent limitation on the department's authority to acquire OHV lands without specific legislative approval. We therefore recommend inclusion of the identical language in the 1985 Budget Bill, as follows:

"Funds appropriated in category (6) for opportunity purchases are available for acquisition of lands contiguous to lands of the State Vehicular Recreation Area and Trail System from willing sellers only. No funds for an opportunity acquisition may be encumbered until the specific acquisition has been approved by the Off-Highway Motor Vehicle Recreation Commission."

(7) Pre-Budget Appraisals \$50,000

We recommend approval.

The budget requests \$50,000 to reimburse the Department of General Services for the preparation of appraisals needed to prepare requests for acquisition appropriations that will be included in future budgets. The amount appears to be reasonable.

DEPARTMENT OF PARKS AND RECREATION—CAPITAL OUTLAY—Continued

(8) Preliminary Planning \$50,000

We recommend approval.

The budget requests \$50,000 to reimburse the Office of the State Architect for the preparation of preliminary plans and cost estimates needed to support off-highway vehicle capital outlay budget requests. The amount appears to be reasonable.

Supplemental Language

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

Overbudgeted Construction Funds

We recommend that the amounts approved for construction in Item 3790-301-263 be reduced by three percent to eliminate overbudgeting of construction costs.

The amounts requested in the Governor's Budget for construction are based on an anticipated construction cost index for July 1, 1985. At the time the budget was prepared, the Department of Finance made a reasonable estimate of the index for that date. Inflation, however, has been less than anticipated. The most recent indices, adjusted by the current expected inflationary increase of about one-half percent per month, indicate that construction costs in the budget are overstated by approximately three percent. We therefore recommend that any funds approved for construction under this item be reduced by three percent to eliminate overbudgeting.

DEPARTMENT OF PARKS AND RECREATION—CAPITAL OUTLAY

Item 3790-301-392 from the
State Parks and Recreation
Fund

Budget p. R 132

Requested 1985-86	\$4,032,000
Recommended approval	3,640,000
Recommended reduction	392,000

ANALYSIS AND RECOMMENDATIONS

(1) Statewide minor projects..... \$4,032,000

We recommend a reduction of \$392,000 in the request for minor projects to delete funds for two projects which have not been justified and approval of funding for 48 other projects in the reduced amount of \$3,640,000.

The department requests \$4,032,000 from the State Parks and Recreation Fund for 50 minor projects to be undertaken throughout the state park system in 1985-86. These minor capital outlay projects (\$200,000 or less per project) provide for:

- (a) repairs to water, electrical, and sewer systems,
- (b) erosion control, boundary fencing, and resource protection,
- (c) minor restoration of historic structures, and
- (d) replacement of small bridges and restroom facilities.

We recommend a reduction of \$392,000 to delete funds for the following two projects:

- Water treatment plant at Sunset State Beach (\$196,000): The department identified in its budget package a lower cost alternative (connection to the services of a local water district) that is under consideration. Given this alternative, the department has not explained the need for this project. The lower-cost alternative of connecting to the water district's lines should be pursued.
- Erosion control at Bull Creek, Humboldt Redwoods State Park (\$196,000): The work proposed is part of a *major* erosion control effort, which may involve the expenditure of approximately \$3 million. The Legislature provided \$950,000 in the 1984 Budget Act as first phase funding for the project. The funds have not been spent to date because the department is making substantial revisions to the project plans. Further funding requests for the project should be budgeted as *major* capital outlay, and should be deferred until a full review of the first-phase revisions has been completed.

Our analysis indicates that the proposed scope and cost for 48 other projects requested in this category are justified. We therefore recommend that funding for statewide minor capital outlay projects be approved in the reduced amount of \$3,640,000.

Supplemental Report Language

For purposes of project definition and control, we recommend that the following supplemental report language be adopted to describe the scope of this appropriation item:

Statewide minor projects. Up to \$3,640,000 is available for expenditure during 1985-86 to accomplish all of the projects identified in the document prepared by the department and entitled "Proposed Minor Capital Outlay 1985-86," which was received by the Legislative Analyst's Office on December 21, 1984, except for the following projects which are deleted from the approved scope:

1. Water treatment plant at Sunset SB, and
2. Bull Creek bank protection at Humboldt Redwoods SP.

**DEPARTMENT OF PARKS AND RECREATION—CAPITAL
OUTLAY**

Item 3790-301-721 from the
Parklands Fund of 1980

Budget p. R 132

Requested 1985-86	\$1,351,000
Recommended reduction	1,351,000

ANALYSIS AND RECOMMENDATIONS

(1) Design and Construction Planning \$1,351,000

We recommend deletion of this appropriation because approval of the Governor's Budget requests would overappropriate the Parklands Fund of 1980. We recommend that these funds be appropriated instead from the Special Account for Capital Outlay (SAFCO) in Item 3790-301-036.

The department is requesting \$1,351,000 from the Parklands (Bond) Fund of 1980 for design and construction planning. These funds would be transferred to the department's support budget (Item 3790-001-001) to fund the staff working on design and construction planning for development projects.

We believe that the proposed work is needed and that the amount requested is reasonable. The Parklands Fund of 1980, however, does not have sufficient unappropriated funds to support this request. The fund condition statement in the budget for the Parklands Fund of 1980 projects a balance of \$719,000 in the fund as of June 30, 1986. The projection assumes, however, that \$1,936,000 of funds already appropriated for projects will be reverted as a result of "unidentified savings."

If the Legislature approves the budget's various requests for appropriations from the Parklands Fund of 1980, the funds will be *overappropriated* by \$1,217,000. Unless action also were taken to balance the fund, the overappropriation would be resolved by default, rather than in accordance with legislative priorities, when the fund balance is fully *expended* and all remaining projects are left unfunded.

Accordingly, we cannot recommend approval of this appropriation. Instead, we recommend deletion of the \$1,351,000 requested in Item 3790-301-721, and a corresponding augmentation to Item 3790-301-036 (SAFCO) for design and construction planning.

**DEPARTMENT OF PARKS AND RECREATION—CAPITAL
OUTLAY**

Item 3790-301-722 from the
Parklands Fund of 1984

Budget p. R 132

Requested 1985-86	\$190,000
Recommended approval	190,000

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

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| 1. Prebudget Appraisals. Recommend approval. | 571 |
| 2. Preliminary Planning. Recommend approval. | 571 |

ANALYSIS AND RECOMMENDATIONS

- (1) Prebudget Appraisals..... \$90,000**
We recommend approval.

The budget proposes (\$90,000) from the Parklands Fund of 1984 to reimburse the Department of General Services for the preparation of property appraisals in 1985-86. These appraisals are required before the Department of Parks and Recreation may request acquisition appropriations. Our analysis indicates that the amount requested is justified.

- (2) Preliminary Planning \$100,000**
We recommend approval.

Each year, the department requests funds to reimburse the Office of the State Architect for the preparation of preliminary plans and cost estimates needed for capital budget requests. Our analysis indicates that the \$100,000 requested for this purpose in 1985-86 is reasonable.

**DEPARTMENT OF PARKS AND RECREATION—CAPITAL
OUTLAY**

Item 3790-301-728 from the Rec-
reation and Fish and Wildlife
Enhancement Fund

Budget p. R 132

Requested 1985-86	\$100,000
Recommended approval	100,000

ANALYSIS AND RECOMMENDATIONS

- (1) Design and Construction Planning \$100,000**
We recommend approval.

The budget requests \$100,000 from the Recreation and Fish and Wildlife Enhancement Fund for transfer to the department's support budget (Item 3790-001-001) in order to fund the staff working on design and construction planning for development projects. The amount requested appears to be reasonable.

**DEPARTMENT OF PARKS AND RECREATION—CAPITAL
OUTLAY**

Item 3790-301-733 from the
State Beach, Park, Recreation-
al, and Historical Facilities
Fund of 1974

Budget p. R 132

Requested 1985-86	\$78,000
Recommended approval	78,000

ANALYSIS AND RECOMMENDATIONS

(1) Design and Construction Planning..... \$78,000
We recommend approval.

The budget requests \$78,000 from the State Beach, Park, Recreational, and Historical Facilities Fund of 1974 for transfer to the department's support budget (Item 3790-001-001) to fund the staff working on design and construction planning for development projects. The amount requested appears to be reasonable.

**DEPARTMENT OF PARKS AND RECREATION—CAPITAL
OUTLAY**

Item 3790-301-742 from the
State, Urban, and Coastal
Park Fund

Budget p. R 132

Requested 1985-86	\$375,000
Recommended approval	375,000

ANALYSIS AND RECOMMENDATIONS

(1) Design and Construction Planning..... \$375,000
We recommend approval.

The budget requests \$375,000 from the State, Urban, and Coastal Park Fund for transfer to the department's support budget (Item 3790-001-001) to fund the staff working on design and construction planning for development projects. The amount requested appears to be reasonable.

**DEPARTMENT OF PARKS AND RECREATION—CAPITAL
OUTLAY**

Item 3790-301-890 from the Federal Trust Fund

Budget p. R 132

Requested 1985-86	\$600,000
Recommend approval	600,000
Recommended augmentation	50,000
Net recommended approval	650,000

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

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1. Anza Borrego Desert State Park—Acquisition. Recommend approval of the amount requested. Further recommend adoption of Budget Bill language requiring that the proceeds from the sale of specified surplus property be deposited in the Federal Trust Fund and used to finance the requested acquisitions at Anza Borrego. 573
2. Deposit of Proceeds into Federal Trust Fund. Recommend enactment of legislation to provide for the deposit of proceeds from surplus property sales in the Federal Trust Fund if properties originally were conveyed to the state by the federal government. 574
3. Big Basin Redwoods State Park—Acquisition. Recommend approval. 575
4. California Redwoods Parks—Acquisition. Recommend approval. 575
5. *Opportunity Purchases. Augment by \$50,000.* Recommend augmentation to provide funds for purchase of small properties contiguous to existing park units which may become available on an opportunity basis. 575
6. Supplemental Language. Recommend adoption of supplemental report language that describes the scope of each project approved in this item. 575

ANALYSIS AND RECOMMENDATIONS

(1) Anza Borrego Desert State Park (SP)—acquisition \$50,000

We recommend approval of the amount requested. We further recommend the adoption of Budget Bill language requiring that the proceeds from surplus property sales at Anza Borrego be used for these acquisitions so that an additional \$50,000 of federal funds will be available to the Legislature for allocation to other high priority park projects.

The budget requests \$50,000 from the Federal Trust Fund to acquire small inholdings at Anza Borrego Desert State Park in San Diego County. Under this ongoing program, the Anza Borrego Foundation sells properties to the state at one half their market value. The department uses federal funds as a match to acquire these properties from the foundation.

Our analysis indicates that the amount requested is warranted to achieve the objectives set for this important park. We believe, however, that a more appropriate funding source is available—one that will increase the Legislature's fiscal flexibility in achieving its objectives.

DEPARTMENT OF PARKS AND RECREATION—CAPITAL OUTLAY—Continued

Chapter 1384, Statutes of 1984, made available, upon appropriation by the Legislature, the net proceeds from the sale of 1,164 acres of surplus park properties at Anza Borrego for use in acquiring private inholdings for the park. The estimated value of the relevant surplus properties exceeds \$1 million. Thus, the potential exists to fund an ongoing acquisition program at Anza Borrego from this source as various parcels are sold.

The budget does not request an appropriation of funds from this source, despite the Legislature's intent in enacting Ch 1384/84.

Use of the surplus property proceeds earmarked specifically for Anza Borrego acquisitions by Ch 1384/84 would fully support the acquisition program proposed in the budget *and* allow the Legislature to redirect the federal funds proposed in this item to other high-priority park programs or projects.

In order to carry out the legislative intent of Ch 1384/84 in the 1985 Budget Act, and in order to make available federal funds for appropriation for other high priority park purposes, we recommend approval of the amount requested for acquisition at Anza Borrego and adoption of the following Budget Bill language for this item:

"Notwithstanding Public Resources Code Section 5006.15, during 1985–86, the proceeds from sales of surplus properties at Anza Borrego Desert State Park authorized by Chapter 1384, Statutes of 1984, shall be deposited in the Federal Trust Fund and shall, consistent with the provisions of Chapter 1384, Statutes of 1984, be used solely for the acquisition of inholdings at Anza Borrego Desert State Park. The appropriation made by this item for the acquisition of inholdings at Anza Borrego Desert State Park shall be funded solely from those proceeds and shall be used to acquire properties at a price equal to one-half of the property's fair market value or less."

Approval of this language would make available an additional \$50,000 of federal funds for park purposes. We recommend below (in category (4)) that these funds be appropriated for statewide park opportunity purchases.

Legislation Needed to Provide for Deposit of Sale Proceeds

We recommend the enactment of legislation to permanently provide for the deposit of proceeds from sales of surplus properties in the Federal Trust Fund in those instances where property originally was conveyed to the state from the federal government.

Public Resources Code Section 5006.15 (added by Ch 439/83) provides that the proceeds of state park surplus property sales shall be deposited in the fund which was the original source for acquisition of the property. If the fund of origin is no longer in existence, Section 5006.15 provides for the deposit of proceeds in the General Fund.

Most of the surplus properties at Anza Borrego Desert State Park originally were conveyed to the department from the federal government *at no cost*, pursuant to the provisions of the federal Recreational and Public Purposes Act. Thus, it is not clear under existing law whether proceeds from the sale of these properties would be deposited in the Federal Trust Fund or the General Fund.

The properties originally were donated to the state at no cost by the federal government and federal approval of surplus property dispositions is required due to deed restrictions. Therefore, it appears appropriate to

deposit the proceeds in the Federal Trust Fund. Accordingly, we recommend that legislation be enacted to amend Public Resources Code Section 5006.15 to provide permanently for the deposit of proceeds from surplus park property sales in the Federal Trust Fund in those instances where property originally was conveyed to the state by the federal government.

(2) Big Basin Redwood State Park (SP)—acquisition \$300,000

We recommend approval.

The budget requests \$300,000 in federal funds to purchase properties for addition to Big Basin Redwoods SP in Santa Cruz County. The properties will be purchased from the Sempervirens Fund (a conservation group) at a price equal to one-half of their fair market value. The Legislature has appropriated funds for this program on a regular basis in prior years.

(3) California Redwoods Parks—acquisition \$250,000

We recommend approval.

The budget requests \$250,000 in federal funds to purchase properties for addition to various redwood parks. These properties will be purchased from the Save-the-Redwoods League, also at a price equal to one-half of their fair market value. The Legislature has appropriated funds for this program on a regular basis in prior years.

(4) Opportunity Purchases..... \$50,000

We recommend an augmentation of \$50,000 for statewide opportunity purchases in order to allow the purchase of additional small properties contiguous to existing state park units which may become available on an opportunity basis.

Small properties, which are contiguous to state park units, occasionally become available to the state. In order to permit the department to take advantage of such opportunities and prevent incompatible development of the properties, the Legislature normally appropriates funds for "opportunity" purchases, which allows the purchases to proceed quickly.

With the exception of \$100,000 requested from the Off-Highway Vehicle Fund (Item 3790-301-263) for opportunity purchases, the budget does not propose funds for this purpose in 1985-86.

If our recommendation regarding acquisition at Anza Borrego Desert State Park (number 1, above) is approved, an additional \$50,000 of federal funds will become available to the Legislature for appropriation. We recommend that these funds be redirected for statewide opportunity purchases, so that funds will be available in 1985-86 to support the purchase of small properties, contiguous to existing state park units, which may become available on an opportunity basis.

Accordingly, we recommend an augmentation of \$50,000 to Item 3790-301-890 to provide for opportunity purchases.

Supplemental Language

For purposes of project definition and control, we recommend that supplemental report language be adopted by the fiscal subcommittees that describes the scope of each of the capital outlay projects approved under this item.

SANTA MONICA MOUNTAINS CONSERVANCY

Item 3810 from the General
Fund and the Santa Monica
Mountains Conservancy Fund

Budget p. R 144

Requested 1985-86	\$517,000
Estimated 1984-85	515,000
Actual 1983-84	300,000
Requested increase (excluding amount for salary increases) \$2,000 (+0.4 percent)	
Total recommended reduction	None

1985-86 FUNDING BY ITEM AND SOURCE

Item—Description	Fund	Amount
3810-001-001—Support	General	\$306,000
3810-001-941—Support	Santa Monica Mountains Conservancy	211,000
Total		\$517,000

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

*Analysis
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- Continuation of the conservancy's program. Recommend enactment of legislation (a) extending the conservancy's sunset date to July 1, 1990 and (b) establishing a policy that one-half of the amount appropriated to the conservancy in any year be from the Santa Monica Mountains Conservancy Fund.
- Source of Funds for Conservancy Projects. Delete Item 3810-001-001 and augment Item 3810-001-941 by \$306,000.* Recommend that funds requested from the General Fund for support of the conservancy be replaced with funds from the Santa Monica Mountain Conservancy Fund, in order to increase the Legislature's fiscal flexibility to address other priority needs.

GENERAL PROGRAM STATEMENT

Chapter 1087, Statutes of 1979, established the Santa Monica Mountains Conservancy and assigned to it the responsibility for implementing the land acquisition program in the Santa Monica Mountains that was prepared by its predecessor, the Santa Monica Mountains Comprehensive Planning Commission. Under current law, the Santa Monica Mountains Conservancy will go out of existence on July 1, 1986.

The conservancy is authorized to purchase lands and provide grants to state and local agencies and nonprofit organizations to further the purposes of the federal Santa Monica Mountains National Recreation Area and the state Santa Monica Mountains Comprehensive Plan. It may promote the objectives of these programs by (1) acquiring and consolidating subdivided land, (2) acquiring land for eventual sale or transfer to other public agencies, (3) creating buffer zones surrounding federal and state park sites, and (4) restoring natural resource areas in the same way that

the State Coastal Conservancy does. The conservancy has a governing board of seven voting members.

The conservancy, located in Los Angeles, has 9.2 personnel-years of staff in the current year.

OVERVIEW OF THE BUDGET REQUEST

The budget requests a total of \$517,000 for support of the conservancy in 1985-86. This amount consists of \$306,000 from the General Fund and \$211,000 from the Santa Monica Mountains Conservancy Fund. When expenditures financed by reimbursements are included, total expenditures for support of the conservancy in 1985-86 equal \$557,000. This is a decrease of \$173,000, or 24 percent, from estimated current year expenditures of \$730,000. This apparent decrease, however, is not meaningful, since it reflects a lack of comparability between budget figures for the two years.

The support budget for 1985-86 does not include as a reimbursement \$200,000 requested in the capital outlay item (Item 3810-301-722) for project planning and design purposes. Current-year expenditures, however, include \$175,000 in reimbursements for this purpose. If the \$200,000 is included in the support budget for 1985-86 as a reimbursement, as it should be, total proposed support expenditures would be \$757,000. This is an increase of \$27,000, or 4 percent, above current-year support expenditures. The increase will grow by the cost of any salary or staff benefit increases approved for the budget year.

Table 1 summarizes the conservancy's expenditures and staffing for 1983-84 through 1985-86.

Table 1
Santa Monica Mountains Conservancy
Budget Summary
1983-84 through 1985-86
(dollars in thousands)

Program	Personnel-Years			Expenditures			Change 1985-86 over 1984-85	
	Actual 1983-84	Esti-		Actual 1983-84	Esti-		Amount	Percent
		mated 1984-85	Proposed 1985-86		mated 1984-85	Proposed 1985-86		
Capital outlay planning and design ^a	—	—	—	\$230	\$175	\$200 ^b	\$25	14.3%
Recreational transit program	0.5	0.5	0.5	42	40	40	—	—
Other support activities	8.3	8.7	8.7	438	515	517	2	0.4
Totals	8.8	9.2	9.2	\$710	\$730	\$757	\$27	3.7%
Sources of Funds								
General Fund	—	—	—	300	304	306	2	0.4%
Santa Monica Mountains Conservancy Fund	—	—	—	—	211	211	—	—
State funds reimbursed from capital outlay items	—	—	—	230	175	200 ^b	25	14.3
Other reimbursements	—	—	—	180	40	40	—	—

^a Funds transferred from capital outlay appropriations to fund planning and design work contracted to consultants.

^b Due to error, budget does not include as a reimbursement to the support item these funds for capital outlay planning and design in 1985-86.

SANTA MONICA MOUNTAINS CONSERVANCY—Continued**ANALYSIS AND RECOMMENDATIONS****More of the Conservancy's Program Should be Financed with the Conservancy's Fund**

We recommend the enactment of legislation (1) extending the conservancy's sunset date and (2) requiring that at least one-half of the amount appropriated each year to the conservancy be from the Santa Monica Mountains Conservancy Fund.

Sunset of Conservancy. Under existing law, the conservancy will sunset at the conclusion of the budget year—on July 1, 1986. The budget, however, proposes a program for the conservancy in 1985–86 that inevitably will extend *beyond* the budget year. Although the budget is silent on the need for an extension of the sunset, the conservancy is supporting legislation in the 1985–86 session, AB 471, that would extend the sunset date by four years to July 1, 1990.

Reasons for Extending the Sunset. For a number of reasons which we discuss below, we believe the sunset date should be extended. Perhaps of greatest significance is the fact that the voters approved a total of \$10 million for the conservancy's program when they approved Proposition 18 in June 1984. Of this amount, the Legislature already has appropriated \$3,050,000 to the conservancy. The budget requests appropriation of the remaining bond funds—\$6,950,000—in 1985–86. Even if the Legislature appropriates the entire amount for 1985–86, however, it is unlikely that the conservancy will be able to fully expend the \$10 million bond allocation by July 1, 1986.

At its meeting on December 20, 1984, the conservancy's board adopted a five-year capital outlay plan that envisions ultimate expenditures of approximately \$63 million to acquire fee title or other interests in approximately 11,300 acres of lands. Our review of the five-year plan indicates that it contains enough high priority projects to justify continuation of the conservancy's program for at least several years.

Finally, we do not believe there are other agencies or private organizations that are in a position, at least in the near term, to assume the conservancy's role in carrying out the Santa Monica Mountains Comprehensive Plan. As more of the plan's objectives are implemented in the future, however, it is possible that other agencies or organizations may be able to accomplish the remaining plan objectives more effectively.

For all of these reasons, we recommend the enactment of legislation extending the conservancy's sunset date. An extension to July 1, 1990 (as proposed by AB 471), appears to be reasonable. We believe, however, that the extension should be linked with a fundamental change in the funding of the conservancy's program, which we discuss below.

Conservancy Funding. The conservancy is primarily a land acquisition agency. Generally, the conservancy acquires land (1) for subsequent sale or transfer to other public agencies or (2) for subsequent sale to private parties, where such sale would result in development that would be more compatible with the objectives of the comprehensive plan than the development which might otherwise occur. This emphasis on acquisitions which eventually may be sold or transferred continues in the five-year capital outlay plan recently adopted by the conservancy.

The conservancy's acquisition program is patterned after those of private conservation organizations such as the Nature Conservancy and the

Trust for Public Land. The conservancy has requested—and received—unusual flexibility in its budget so that, like those private organizations, it can move quickly to purchase lands on an opportunity basis. The conservancy also is able, like the private organizations, to use the proceeds of property sales, after appropriation by the Legislature, to finance additional acquisitions on a “revolving fund” basis. Thus, the conservancy has the potential to become largely self-financing after an initial infusion of “seed money.” This, in fact, is how the private “conservancies” operate, and is the concept behind the conservancy’s own revolving fund program.

The Legislature appropriated \$5,092,000 to the conservancy from the Resources Account, Energy and Resources Fund, in the 1982 Budget Act for revolving fund acquisitions. In addition, during 1983–84 and 1984–85 the conservancy received \$4,150,000 for unscheduled capital outlay and grants. Thus, the conservancy has received a total of \$9,242,000 that is available for revolving fund projects, at the discretion of the conservancy. Furthermore, many of the properties acquired by the conservancy with scheduled appropriations may have revenue potential.

The conservancy is receiving increasing revenues from the resale of properties acquired since the start of its revolving fund program. The budget shows that the conservancy received \$290,000 in 1983–84, and will receive an estimated \$911,000 in 1984–85, from these sales. At the time this analysis was prepared the conservancy was anticipating at least \$1.2 million in revenues in 1985–86, none of which is included in the budget. Under existing law, these revenues are deposited in the Santa Monica Mountains Conservancy Fund (SMMCF) and are available for expenditure upon appropriation by the Legislature.

We believe the potential exists for major increases in revenues to the SMMCF after 1985–86, since it has received at least \$9.2 million during the last three fiscal years which is either designated or available for revolving fund projects. The potential for increasing revenues to the SMMCF will be strengthened even further if the Legislature approves the conservancy’s 1985–86 request for \$6,950,000 from the Parklands Fund of 1984.

Partial Self-Financing of Conservancy Program. In view of the above, we believe the conservancy’s program can be continued on a more self-financing basis, without sacrificing the objectives that the conservancy was set up to achieve. The Legislature already has endorsed the self-financing concept in approving the conservancy’s proposed revolving fund program in the 1982 Budget Act. In addition, both the conservancy’s enabling legislation and its comprehensive plan provide for the conservancy to sell development credits or property for residential or commercial development purposes, when these sales will result in appropriate development patterns which are compatible with the plan’s objectives. A partial self-financing policy, established in statute, would strengthen the incentives for the conservancy to carry out these types of projects in an effective and timely manner.

Further, we note that the conservancy was not established to be a *permanent* land management agency, such as the Department of Parks and Recreation. This is apparent both from the statutory provision for a sunset of the conservancy and from the statutory provision in Public Resources Code Section 33205 which limits to 10 years the time that the conservancy may hold lands acquired for park and recreation purposes. The enactment of legislation establishing an explicit self-financing policy would not only strengthen incentives for the conservancy to carry out these types of acquisitions in an effective and timely manner; it would also

SANTA MONICA MOUNTAINS CONSERVANCY—Continued

require the conservancy to consider the ultimate disposition and management of these park and recreation properties *before* acquiring them.

In sum, under a self-financing policy, the conservancy would be subject to the same basic incentive structure faced by groups such as the Nature Conservancy and the Trust for Public Land. This policy should also result in additional state funds being freed up for other state needs that the Legislature may wish to address.

For all of these reasons, we recommend that legislation be enacted establishing a policy that at least one-half of the total amount appropriated to the conservancy in any year shall be from the Santa Monica Mountains Conservancy Fund. This legislation will (1) strengthen the incentives for the conservancy to carry out revolving fund projects in an effective and timely manner, (2) require the conservancy to consider the ultimate disposition and management of lands it acquires, and (3) reduce the need to use state funds for the conservancy's program which can be used for other high priority state needs.

Use of General Fund is No Longer Necessary

We recommend (1) deletion of the conservancy's General Fund support item, for a General Fund savings of \$306,000 and (2) a corresponding increase from the SMMCF for support of the conservancy, in order to increase the Legislature's flexibility to address other priority needs. (Delete Item 3810-001-001 and augment Item 3810-001-941 by \$306,000.)

The budget proposes appropriations totaling \$517,000 for support of the conservancy in 1985-86. This amount consists of \$306,000 from the General Fund and \$211,000 from the Santa Monica Mountains Conservancy Fund (SMMCF).

The budget projects a surplus of \$244,000 in the SMMCF on June 30, 1986. This figure is almost certainly understated, however, because of the budget's unrealistic assumption that the SMMCF will receive *no* revenues during 1985-86. At the time this analysis was prepared, the conservancy was anticipating at least \$1.2 million in revenues to the SMMCF during 1985-86, including approximately \$400,000 from the sale of surplus property at the Wilacre Estate and as much as \$800,000, and possibly much more, from surplus property sales at Runyon Canyon.

According to the conservancy, the budget's fund condition statement for the SMMCF understates prior-year expenditures by \$280,000. Although this understatement reduces the reported fund balance, the effect is more than outweighed by the anticipated 1985-86 revenues. Accounting for the understatement of both expenditures and revenues, the revised projected fund balance should be \$1,164,000 on June 30, 1986.

In our previous recommendation, we indicated that the conservancy's programs can and should become more self-financing in order to (1) strengthen the conservancy's incentives to carry out projects effectively and expeditiously, and (2) increase the Legislature's fiscal flexibility to provide funds for other priority needs. Consistent with our previous recommendation, we believe that funds should be provided for support of the conservancy in 1985-86 from the SMMCF, instead of from the General Fund. We, therefore, recommend that:

- Item 3810-001-001 be deleted for a General Fund savings of \$306,000.
- Item 3810-001-941 be augmented by \$306,000.

This recommendation, if approved, would result in approximately 7

percent of the conservancy's overall 1985-86 program (including capital outlay) being financed from the SMMCF, as well as provide an estimated balance of \$858,000 in the SMMCF on June 30, 1986. As discussed in our first recommendation above, we believe the percentage contributed from the SMMCF should be increased to 50 percent in 1986-87 and subsequent fiscal years.

SANTA MONICA MOUNTAINS CONSERVANCY—CAPITAL OUTLAY

Item 3810-301 from the Parklands Fund of 1984

Budget p. R 146

Requested 1985-86	\$6,950,000
Recommended approval.....	6,950,000

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

Analysis page

1. Capital Outlay and Grants. Recommend:
 - (a) approval of \$6,950,000 requested in this item,
 - (b) deletion of proposed Budget Bill language, because the language does not provide for effective legislative review of proposed expenditures,
 - (c) that the amount appropriated in this item be scheduled, with \$200,000 available for project planning and design and \$6,750,000 available for capital outlay and grants, and
 - (d) adoption of supplemental report language for purposes of project definition and control.
2. Interest Earnings. Recommend that:
 - (a) the conservancy report prior to budget hearings on its plans for the \$1,990,000 approved for the Lake Sherwood project, which cannot be carried out,
 - (b) Budget Bill language be adopted prohibiting encumbrance of funds for grants until conservancy adopts procedures to prevent premature transfers of state funds, and
 - (c) legislation be enacted to make this provision permanent.

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ANALYSIS AND RECOMMENDATIONS

(1) Capital Outlay and Grants \$6,950,000

We recommend approval of \$6,950,000 requested in Item 3810-301-722 for capital outlay and grants. We further recommend deletion of Budget Bill language proposed for this item because the language does not provide effective legislative review of expenditures. In addition, we recommend that the amounts appropriated in this item be scheduled for (a) project planning and design, and (b) actual projects. Finally, we recommend adoption of supplemental report language listing the projects which may be funded from this item.

The budget proposes that \$6,950,000 be appropriated to the conservancy from the Parklands (Bond) Fund of 1984 for capital outlay and local

SANTA MONICA MOUNTAINS CONSERVANCY—CAPITAL OUTLAY—Continued

assistance grants. Table 1 shows the proposed schedule in Item 3810-301-722 of the Budget Bill for this amount.

Table 1
Santa Monica Mountains Conservancy
Proposed Schedule of Item 3810-301-722
(dollars in thousands)

<i>Schedule</i>	<i>Amount</i>
a. Project planning and design	\$200
b. Capital outlay and grants pursuant to Division 23 of Public Resources Code (general conservancy purposes)	600
c. Acquisition of coastal zone public recreation areas	2,900
d. Capital outlay and grants for water-oriented recreation projects	250
e. Capital outlay and grants for handicapped access recreation	600
f. Capital outlay and grants for trail and related improvements	1,250
g. Capital outlay and grants for projects on existing public land open for recreational use	1,150
Total	\$6,950

Although the item is scheduled into seven categories, specific projects are not scheduled. Moreover, the categories themselves are relatively broad—and sometimes overlapping—descriptions of types of projects. Furthermore, the Budget Bill includes language for this item which would allow the conservancy to spend funds appropriated in any scheduled category except project planning and design on projects in any other category, after providing 30 days written notice to the chairs of the fiscal committees and the Joint Legislative Budget Committee.

Table 2
Santa Monica Mountains Conservancy
Projects Approved by Conservancy Board for Funding
(dollars in thousands)

<i>Project</i>	<i>Estimated Amount</i>
1. Cold Creek Ranch acquisition	\$1,850
2. Malibu Sequit (Pritchett) Ranch acquisition	1,000
3. Franklin Canyon Nature Center	750
4. Competitive grants for acquisitions and improvements	750
5. Liberty Canyon acquisition	600
6. Cahuenga Peak trail connector	600
7. Mulholland Crest improvements	350
8. Rustic, Sullivan and Mission Canyons trail system	200
9. Scenic overlooks in Los Angeles County	250
10. Lower Corral Canyon improvements	250
11. Escondido Falls Trail	280
12. Lake Eleanor restoration and recreation improvements	140
13. Las Virgenes Reservoir recreation improvements	250
14. Completion of Conejo Open Space Trail System	150
Total	\$7,420

Since no projects are scheduled in the item, we do not believe the Legislature can effectively review either the proposed expenditure plan or any subsequent changes to it which might be proposed by the conservancy pursuant to the Budget Bill language. The practical effect of the proposed language, moreover, is to make the "schedule" of expenditures meaningless. The language has the effect of turning seven lump sum appropriations into two lump sum appropriations. We, therefore, recommend that the language be deleted, since it would thwart both legislative oversight and control of conservancy expenditures.

At its meeting of December 20, 1984, the conservancy's board designated 14 high-priority projects to be funded within the \$6,950,000 available for appropriation from the Parklands Fund of 1984. Table 2 lists these projects and the estimated amounts approved at that meeting.

The total estimated amount approved for the projects by the conservancy board exceeds the funds available from the Parklands Fund of 1984 by \$470,000. The board recognized this and instructed the conservancy to carry out as many of the projects as circumstances and available funds would permit.

Our review of these proposed projects indicates that, although the estimated costs and proposed project scopes are still in a preliminary stage, the projects are consistent with the conservancy's legislatively established program objectives. We also believe that the list of 14 projects, unlike the schedule in the Budget Bill, does provide a basis for meaningful legislative review of the conservancy's plans for using the \$6,950,000 requested in the budget. On this basis, we recommend approval of \$6,950,000 requested in Item 3810-301-722, to be scheduled as follows: (a) \$200,000 for project planning and design (for reimbursement to Item 3810-001-941) and (b) \$6,750,000 for capital outlay and grants. We further recommend, for purposes of project definition and control, the fiscal committees adopt supplemental report language which indicates the Legislature's intent that the funds appropriated in this item are to be used for projects identified in Table 2.

Procedures Needed to Prevent Loss of Interest Earnings

We recommend that the conservancy report prior to budget hearings on its plans for \$1,990,000 which had been approved for acquisition at Lake Sherwood, since the project cannot be carried out. We further recommend that the Legislature adopt Budget Bill language requiring the conservancy to (1) adopt procedures to prevent premature transfers of state funds to local agencies and nonprofit organizations, and (2) certify that it has complied with these procedures prior to encumbering funds for specific grant projects. We further recommend the enactment of legislation to make the above provisions permanent.

Since its establishment in 1979, the conservancy has encumbered approximately \$8.7 million from various capital outlay appropriations for grants to local agencies. For most of the conservancy's capital outlay appropriations, the Legislature has included language providing the conservancy with the authority to make local assistance grants. Of the amount provided to date, the conservancy has granted approximately \$6.1 million for the following two projects: (1) \$2 million to the Conejo Recreation and Park District for acquisition at Lake Sherwood in Ventura County and (2) \$4,097,000 to the City of Los Angeles for acquisition at Runyon Canyon.

Lake Sherwood Grant. Pursuant to its grant agreement with the Conejo Park and Recreation District, the conservancy in January 1984 transferred \$990,000 appropriated from the Resources Account, Energy

SANTA MONICA MOUNTAINS CONSERVANCY—CAPITAL OUTLAY—Continued

and Resources Fund (ERF), and \$1 million appropriated from the Santa Monica Mountains Conservancy Fund (SMMCF) to the district to be placed in a trust account for purposes of the Lake Sherwood acquisition project. (Previously, \$10,000 had been expended for project planning.) The district has not been able to carry out the acquisition, however, due to an unwilling seller. For this reason, the conservancy board voted on January 17, 1985, to (1) disencumber the \$1 million provided from the SMMCF and (2) allow the \$990,000 provided from the ERF to remain encumbered under the agreement, to be used for another, as yet undefined, project.

The effect of the conservancy's action is to make \$1,990,000 available for additional projects. We believe the Legislature, rather than the conservancy, should decide how these funds will be spent. We, therefore, recommend that prior to budget hearings, the conservancy report to the fiscal committees on its proposal for the expenditure or disposition of these funds.

Foregone Interest Earnings. Under existing law, interest earnings on balances in the SMMCF and the ERF are deposited in the General Fund. Our review of the Lake Sherwood project indicates that because the conservancy chose to transfer the grant funds to the district in January 1984, the state has foregone a significant amount of interest earnings. Based on the average yield on money in the Pooled Money Investment Account (PMIA) during the period when the grant funds were in the district's trust account (11 percent), we estimate that the General Fund lost approximately \$220,000 in interest earnings.

The state continues to lose interest earnings on part of the grant funds. This is because, despite the fact that no project expenditures are planned for the near future, *the ERF funds still are encumbered under the grant agreement.* If the conservancy had disencumbered the ERF funds when the Lake Sherwood project fell through, as it should have, those funds would have been transferred to the Special Account for Capital Outlay (SAFCO) in the General Fund, pursuant to a provision of Ch 1749/84. The interest earned on balances in the district's trust account are retained in the account for expenditure by the district subject to conservancy approval.

Runyon Canyon. The state also has foregone significant amounts of interest earnings on the funds appropriated for the grant to the City of Los Angeles in support of the Runyon Canyon acquisition. The grant funds consisted of \$2,527,000 from the ERF and \$1,570,000 from the Parklands (Bond) Fund of 1980. These funds were transferred to the city as much as one year before they were needed. We estimate that the resulting losses in interest earnings to the General Fund were approximately \$375,000. (Pursuant to bond act provisions, interest earnings on balances in the Parklands Fund of 1980 are used to offset General Fund interest payments on the bonds.)

We estimate the total amount of interest earnings foregone by the state's General Fund as a result of the premature transfer of these two grants is \$595,000. This amount, which otherwise would be available for appropriation by the Legislature to achieve its priorities, has been permanently lost. Other agencies, such as the Department of Parks and Recreation, have established procedures to prevent premature transfers of grant funds. The conservancy needs to do the same. To assure that this happens, we recommend the adoption of the following Budget Bill language for Item 3810-301-722:

"No funds appropriated in this item shall be encumbered for grants unless and until both of the following have occurred: (1) the conservancy has adopted written procedures to prevent premature transfers of grant funds that would result in interest earnings being foregone by state funds, and (2) the executive director of the conservancy certifies to the State Controller that the above procedures have been complied with and the transfer is not premature."

We further recommend that legislation be enacted to make this provision permanent.

Resources Agency

SAN FRANCISCO BAY CONSERVATION AND DEVELOPMENT COMMISSION

Item 3820 from the General Fund

Budget p. R 148

Requested 1985-86	\$1,158,000
Estimated 1984-85.....	1,132,000
Actual 1983-84	966,000
Requested increase (excluding amount for salary increases) \$26,000 (+2.3 percent)	
Total recommended reduction	None

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

Analysis page

1. Availability of Federal CZMA funds. Recommend the Department of Finance and the BCDC report to the fiscal subcommittees on the availability of federal Coastal Zone Management Act funds from the Coastal Commission.

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GENERAL PROGRAM STATEMENT

The San Francisco Bay Conservation and Development Commission (BCDC) was created by the Legislature in 1965. The commission consists of 27 members representing citizens and all levels of government in the Bay Area. The BCDC is charged with implementing and updating the San Francisco Bay Plan and the Suisun Marsh Protection Plan.

In addition, the BCDC has authority over:

1. All filling and dredging activities in the San Francisco Bay, including San Pablo and Suisun Bays, specified sloughs, creeks, and tributaries.
2. Changes in use of salt ponds and other "managed wetlands" adjacent to the Bay.
3. Significant changes in land use within the 100-foot strip inland from the Bay.

The BCDC, which is located in San Francisco, has 25.8 authorized positions in the current year.

OVERVIEW OF THE BUDGET REQUEST

The budget proposes an appropriation of \$1,158,000 from the General Fund for support of BCDC activities in 1985-86. This is an increase of \$26,000, or 2.3 percent, over estimated current-year General Fund ex-

SAN FRANCISCO BAY CONSERVATION AND DEVELOPMENT COMMISSION
—Continued

penditures. This increase will grow by the amount of any additional salary or staff benefit increases approved for the budget year.

The proposed \$26,000 increase in General Fund support consists of (1) \$24,000 for student intern services and (2) \$2,000 for inflation adjustments.

The budget proposes total expenditures of \$1,344,000 in 1985-86, consisting of the \$1,158,000 requested from the General Fund plus \$186,000 in reimbursements. This amount is \$65,000 less than the \$1,409,000 the BCDC estimates it will spend in the current year. The reduction reflects a decrease of \$91,000 in reimbursements to the BCDC, partially offset by the \$26,000 increase in General Fund support. The reimbursements received by the BCDC consist of federal Coastal Zone Management Act (CZMA) funds allocated by the Coastal Commission. The Coastal Commission is the single state agency designated to receive CZMA funds. The \$91,000 reduction of CZMA funds—from \$277,000 to \$186,000—reflects the completion of a one-time data processing project in the current year.

ANALYSIS AND RECOMMENDATIONS

We recommend that the Department of Finance and the BCDC report to the fiscal subcommittees on the availability of federal Coastal Zone Management Act funds in 1985-86.

The budget proposed for the Coastal Commission in 1985-86 includes \$594,000 in federal CZMA funds. In the past, the Coastal Commission has passed on roughly 10 percent of the CZMA funds it receives to the BCDC. If this were done in 1985-86, the BCDC would receive \$59,400. The budget proposed for the BCDC, however, includes \$186,000 of reimbursements in 1985-86 from CZMA funds received by the Coastal Commission. The Department of Finance indicates that the amount of CZMA funds available in 1985-86 will be reevaluated this spring and that it may propose adjustments to the budget at that time. (Our analysis of the Coastal Commission's budget presents a more-detailed discussion of the CZMA funding issue—please see page 507.) Consequently, we recommend that the Department of Finance and the BCDC report to the fiscal subcommittees on the availability of CZMA funds and whether the administration intends to request additional state funding for the BCDC if CZMA funds are not available.

**Resources Agency
DEPARTMENT OF WATER RESOURCES**

Items 3860 from the General
Fund and various special
funds

Budget p. R 149

Requested 1985-86	\$48,959,000
Estimated 1984-85.....	46,223,000
Actual 1983-84	29,282,000
Requested increase (excluding amount for salary increases) \$2,736,000 (+5.9 percent)	
Total recommended reduction	92,000
Recommendation pending	19,800,000

1985-86 FUNDING BY ITEM AND SOURCE

Item—Description	Fund	Amount
3860-001-001—Support	General	\$25,799,000
3860-001-140—Urban Creeks, Water Conservation	Environmental License Plate	350,000
3860-001-144—Agricultural Water Conservation, Water Resources Planning	California Water Fund	2,457,000
3860-001-890—Federal support	Federal Trust	(784,000)
3860-001-940—Water Conservation	Renewable Resources In- vestment	453,000
Total Support		\$29,059,000
3860-101-001—Local Assistance Flood Control and Delta Levee Subventions	General	\$19,900,000
Total Support and Local Assistance		\$48,959,000

SUMMARY OF MAJOR ISSUES AND RECOMMENDATION

*Analysis
page*

1. Flood Control Subventions. Withhold recommendation on \$18,200,000 requested for flood control subventions, pending receipt of revised information on subvention needs in 1985-86. 590
2. Delta Levee Subventions. Recommend that the department report at budget hearings on (1) the effect that \$2 million will have on reducing flooding problems in the delta, (2) whether the current state and local actions are sufficient to obtain federal disaster assistance and (3) the status of implementing the department's proposed mitigation plan for the delta levees. 592
3. CIMIS Project. Withhold recommendation on \$1,600,000 requested for the California Irrigation Management Information System (CIMIS), pending receipt of the department's evaluation of the program. 593
4. *Trinity River Management Program. Reduce Item 3860-001-001 by \$92,000.* Recommend reduction to eliminate overbudgeting of the department's share of project costs. 594

DEPARTMENT OF WATER RESOURCES—Continued**GENERAL PROGRAM STATEMENT**

The Department of Water Resources (DWR) is responsible for (1) protection and managing California's water resources, (2) implementing the State Water Resources Development System, including the State Water Project, (3) maintaining public safety and preventing damage through flood control operations, supervision of dams, and safe drinking water projects, and (4) furnishing technical services to other agencies.

The department is headquartered in Sacramento and has district offices in Red Bluff, Fresno, Sacramento, and Los Angeles. A number of field offices provide for the operation and maintenance of the State Water Project. The department has 2,783.3 personnel-years of staff in the current year.

The California Water Commission, consisting of nine members appointed by the Governor and confirmed by the Senate, serves in an advisory capacity to the department and the director.

The Reclamation Board, which is within the department, consists of seven members appointed by the Governor. The board has various specific responsibilities for the construction, maintenance, and protection of flood control levees within the Sacramento and San Joaquin River valleys.

OVERVIEW OF THE BUDGET REQUEST

The budget proposes six appropriations totaling \$48,959,000 from various funds for support of the Department of Water Resources and local assistance in 1985-86. This amount is \$2,736,000, or 5.9 percent, more than estimated current-year expenditures from state funds. This increase will grow by the amount of any salary or staff benefit increases that may be approved by the Legislature for the budget year.

The budget does not include any funds in 1985-86 for the estimated amount of merit salary increases (\$81,000) or inflation adjustments for operating expenses and equipment (\$152,000). Presumably, these costs will be financed by diverting funds budgeted for other purposes.

The budget proposes total expenditures of \$687,960,000 for support and local assistance in 1985-86. This amount includes expenditures financed with \$524,389,000 in State Water Project Funds, \$81,134,000 in bond funds, \$7,529,000 in reimbursements, and \$784,000 from federal funds. (It excludes however, \$11,535,000 for capital outlay which is shown in the Governor's Budget as part of total expenditures.) This is an increase of \$73,563,000, or 11.8 percent, above the current-year amount.

Table 1 summarizes the staffing and expenditures for the department from 1983-84 through 1985-86. Table 2 shows the proposed budget changes, by funding source, for the department in 1985-86.

ANALYSIS AND RECOMMENDATIONS

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

Northern California Water Management (\$849,000). The department proposes an increase of \$849,000 (\$667,000 from California Water Fund, \$105,000 from federal funds, and \$77,000 from reimbursements) and 6.3 personnel-years to expand its water quality and quantity planning and data collection activities in northern California. The budget narrative indicates that this request is for \$744,000, but the department indicates that an additional \$105,000 in federal funds is also included in the budget for this purpose, so that the total request is \$849,000.

Table 1
Department of Water Resources
Budget Summary
1983-84 through 1985-86
(dollars in thousands)

Program	Personnel-Years			Expenditures			Change 1985-86 over 1984-85	
	Actual 1983-84	Estimated 1984-85	Proposed 1985-86	Actual 1983-84	Estimated 1984-85	Proposed 1985-86	Amount	Percent
Continuing formulation of the California Water Plan.....	201.0	195.2	222.8	\$15,869	\$17,004	\$30,147	\$13,143	77%
Implementation of the State Water Resources Development System..	159.5	1,668.9	1,514.9	523,436	521,573	546,511	24,938	5
Public safety and prevention of damage.....	221.7	222.6	230.0	43,410	83,311	106,908	23,597	28
Services	224.8	232.1	23.2	3,295	4,044	4,627	583	14
Management and administration (distributed to other programs)	452.3	464.5	467.4	(22,773)	(25,440)	(28,057)	(2,617)	10
Unallocated General Fund reduction ^a	—	—	—	—	—	-233	—	—
Totals	2,694.8	2,783.3	2,666.3	\$586,010	\$625,932	\$687,960	\$62,028	10%
Funding Source								
General Fund.....				\$26,319	\$44,769	\$45,699	\$930	2%
State Water Project				523,675	496,365	524,539	28,174	6
Safe Drinking Water Fund.....				18,441	45,803	71,134	25,331	55
California Water Fund.....				3,358	27,312	27,456	144	0.5
Other Funds ^b				14,217	11,683	30,667	18,984	162

^a Deletes General Fund merit salary adjustments and inflation adjustments for operating expenses and equipment.

^b Includes California Environmental License Plate Fund, 1984 State Clean Water Bond Fund, Energy Account-Energy and Resources Fund, Resources Account-Energy and Resources Fund, Federal Trust Fund, Renewable Resources Investment Fund, and reimbursements.

Sacramento Valley Drainage Study (\$200,000). The department requests \$200,000 (\$190,000 from the California Water Fund, \$10,000 in reimbursements) and 2.5 personnel-years for three studies to characterize and determine causes of the increased flooding and subsidence in the Sacramento Valley.

Urban Landscape Water Conservation. The budget proposes a funding shift of \$200,000 from the General Fund to the Environmental License Plate Fund for a project to develop a landscape water conservation audit program.

Water Quantity and Quality Data Collection (\$539,000). The department requests \$539,000 from the General Fund and 5.6 personnel-years to (1) replace outdated and inoperable monitoring equipment, (2) increase maintenance at water quality and quantity measuring stations,

DEPARTMENT OF WATER RESOURCES—Continued

- (3) increase staff to respond to demands for groundwater quality data, and
 (4) improve methods of processing, storing, and retrieving data.

Cooperative Data Exchange Center (\$362,000). The department requests \$362,000 from the General Fund and one personnel-year to purchase a minicomputer and hire a programmer to establish a comprehensive data exchange program for real-time flood control data. Eventually, the department expects to develop agreements with 30 local, state, and federal agencies to share flood control data.

California Safe Drinking Water (Bond) Fund (\$25,318,000). The department plans to spend \$25,318,000 of the \$75 million in bond funds approved by the voters in 1984. These funds are continuously appropriated to the department and will be used to provide loans and grants for the construction, improvement, or rehabilitation of domestic water supplies.

1984 State Clean Water Bond Fund (\$10 Million). The department plans to spend \$10 million from the 1984 Clean Water Bond Fund for loans to public agencies for voluntary cost-effective capital outlay water conservation programs. These funds also are continuously appropriated to the department.

Program and Staff Reductions. The budget proposes a reduction of \$7,307,000 and 156.2 personnel-years, primarily due to "efficiencies and schedule changes in State Water Project activities." Specifically, the department proposes to eliminate 145.1 personnel-years supported from State Water Project funds, 10.1 personnel-years funded from reimbursements, and 1.0 personnel-year supported by the General Fund.

Reductions related to the State Water Project are due primarily to (1) deferral of the East Branch Enlargement Project (33.5 PYs and 2,547,000 from State Water Project funds) and the Through-Delta facility (22.2 PYs and \$2,658,000 from State Water Project funds) and (2) reductions in temporary help for the operation and maintenance of the State Water Project (88.6 PYs, \$1,653,000 from State Water Project funds, and \$56,000 from reimbursements). The remaining program and staff reductions consist of (1) a reduction of 5.9 PYs and \$170,000 due to a projected reduction in reimbursable services provided to other agencies, and (2) a reduction of 6 PYs for personnel services in the department's general management program, made possible by the staff reductions in other programs, for a savings of \$36,000 to the General Fund and \$187,000 in State Water Project funds.

Flood Control Subventions

We withhold recommendation on \$18.2 million requested in Item 3860-101-001 for flood control subventions, pending receipt of information on subvention needs that reflects the most current estimate of federal appropriations.

The budget requests \$18.2 million from the General Fund for flood control subventions in 1985-86. This is the same amount that the 1984 Budget Act appropriated for these subventions.

The federal government, through the U.S. Army Corps of Engineers, conducts a nationwide program for the construction of flood control levee and channel projects. Congress requires local agencies to participate financially in these projects by paying the costs of rights-of-way and utility relocations. Prior to 1973, California reimbursed local agencies for all of these costs. Since 1973, these costs have been shared between the state and local agencies, as provided by Ch 893/73.

Table 2
Department of Water Resources Proposed Budget Changes
(dollars in thousands)

	<i>General Fund</i>	<i>California Water Fund</i>	<i>Bond^a Funds</i>	<i>State Water Project Funds</i>	<i>Other Special Funds</i>	<i>Federal Funds</i>	<i>Reim- bursements</i>	<i>Totals</i>
1984-85 Expenditures (Revised)	\$44,769	\$27,312	\$45,803	\$496,365	\$1,999	\$573	\$6,886	\$623,707
Proposed Changes:								
A. Workload Changes and Inflation Adjustments								
1. Salary increases and inflation adjustments	195	127	7	1,988	—	10	—	2,327
2. Pro rata and merit salary adjustments	540	89	6	1,459	—	8	—	2,102
3. State Water Project	—	—	—	33,640 ^b	—	—	—	33,640
4. Deletion of one-time expenditures	-1,164	—	—	—	-681 ^c	—	—	-1,845
5. Miscellaneous workload changes (-33.6 PYs)	254	-2,529	—	-2,384	—	88	914	-3,657
B. Program Adjustments:								
1. Northern California water management planning and data collection (6.3 PYs)	—	667	—	—	—	105	77	849
2. Sacramento valley drainage study (2.5 PYs)	—	190	—	—	—	—	10	200
3. Urban landscape water conservation funding shift (1.4 PYs)	-200	—	—	—	200 ^d	—	—	—
4. California Irrigation Management System—increase and funding shift (7.0 PYs)	—	1,600	—	—	-888 ^d	—	—	712
5. Water quantity and quality data collection (5.6 PYs)	539	—	—	—	—	—	—	539
6. Cooperative Data Exchange Center (1.0 PY)	362	—	—	—	—	—	—	362
7. Flood control subventions	(18,200)	—	—	—	—	—	—	(18,200)
8. Delta levee subventions (3.6 PYs)	(2,000)	—	—	—	—	—	—	(2,000)
9. Clean Water and Safe Drinking Water Bonds of 1984	—	—	35,318 ^e	—	—	—	—	35,318
10. Trinity River management program (1.5 PYs)	152	—	—	—	—	—	—	152
11. Program and administrative efficiencies (-122.6 PYs)	-36	—	—	-6,529	—	—	-226	-6,791
12. Other minor changes	288	—	—	—	189 ^f	—	-132	345
1985-86 Expenditures (Proposed)	\$45,699	\$27,456	\$81,134	\$524,539	\$819	\$784	\$7,529	\$687,960
Changes from 1984-85:								
Amount	\$930	\$144	\$35,331	\$28,174	-\$1,180	\$211	\$643	\$64,253
Percent	2%	0.5%	77%	6%	-59%	37%	9%	10%

^a California Safe Drinking Water (Bond) Fund and 1984 State Clean Water Bond Fund.

^b Consists of (1) increases of \$61,700,000 for power purchases and \$15,340,000 for the North Bay Aqueduct, partially offset by (2) reductions of \$25,489,000 for the East Branch Enlargement, \$15,825,000 for energy supply and \$2,086,000 for the Suisun Marsh.

^c Energy and Resources Fund for the Herber Geothermal Power Plant.

^d Environmental License Plate Fund.

^e Consists of \$25,318,000 from the California Safe Drinking Water (Bond) Fund and \$10 million from the 1984 State Clean Water Bond Fund.

^f Consists of \$39,000 from the Renewable Resources Investment Fund and \$150,000 from the Environmental License Plate Fund.

DEPARTMENT OF WATER RESOURCES—Continued

The state funding requirements for the subvention program are based on the amount of *federal* funds appropriated for each flood control project. State funds cannot be spent unless federal construction funds are appropriated.

The department's budget request simply reflects the amount provided for these subventions in the current-year; it does not reflect the likely level of federal appropriations for flood control projects. The department indicates that funding requirements for the subventions program will be reviewed again in early 1985 after the President's Budget is released and information is available on the proposed federal program for 1985-86.

Historically, the Congress has appropriated funds for those federal flood control projects that are funded in the President's Budget. As a result, local agencies traditionally have begun acquiring the necessary property rights for these projects before the federal budget is approved. Given the current debate over the federal deficit, the appropriations proposed in the President's budget for 1986 may be a less reliable indicator of what will be appropriated later on.

We withhold recommendation on the \$18.2 million requested in Item 3860-101-001, pending receipt of information on the flood control projects in California likely to be funded by the federal government in 1986.

Delta Levee Maintenance Subventions

We recommend approval of \$2 million (\$1,700,000 in Item 3860-101-001 and \$300,000 in Item 3860-001-001) for delta levee maintenance subventions and related administration. We further recommend that the department report at budget hearings on (1) the degree of flood hazard mitigation that will result from \$2 million in subventions, (2) whether current state and local actions are sufficient to obtain federal disaster assistance for future levee failures, and (3) the status of the department's proposed mitigation plan for the delta levees.

The budget requests \$2 million (\$1.7 million in local assistance and \$300,000 for administration) from the General Fund for subventions to maintain levees in the Sacramento-San Joaquin Delta. This is the same amount that was provided in the current year by Ch 1654/84. The department indicates that \$2 million is requested in order (1) to comply with state law regarding the preservation of the existing delta levee system and (2) for the state to receive federal assistance in the event of future levee failures.

State Policy. The delta levee subventions program began in 1973 as a means of helping local agencies maintain and rehabilitate delta levees. The program is aimed at achieving the Legislature's intent that "the physical characteristics of the delta should be preserved in their present form, and that the key to preserving the delta's physical characteristics is the system of levees" (Section 12981, California Water Code).

Local agencies are required to pay the first \$1,000 spent on each mile of levee work and one-half of the remaining costs. Chapter 1159/Statutes of 1981 placed a cap of \$2 million on delta levee subvention financed with funds appropriated from the Resources Account in the Energy and Resources Fund. (This was the funding source established for the program by Chapter 1159.) The budget, however, does not propose any appropriations from the Energy and Resources Fund in 1985-86.

Federal Emergency Management Agency (FEMA) Requirements. As a condition for receiving federal disaster assistance from FEMA for levee failures occurring in the delta between January 1980 and March 1983, the department prepared the "Flood Hazard Mitigation Plan for the Sacramento-San Joaquin Delta." In the plan, the department recommended long-term and short-term mitigation actions. The long-term action consists of establishing a joint federal-state levee rehabilitation project, with funding provided by federal, state, and local agencies. During the interim, the department recommended that (1) local agencies assume responsibility for levee *maintenance* and take specific actions to implement a thorough maintenance program and (2) the state increase the amount of funding provided to assist local agencies in levee *rehabilitation*.

It is not clear if the \$2 million requested for subventions in 1985-86 would be adequate to guarantee federal assistance for *future* levee failures, since the department's mitigation plan recommended a \$10 million program. Recent correspondence between the Director of FEMA and the Governor suggests that this amount may not be adequate. This correspondence related to the Governor's request for disaster relief in connection with damage to delta levees caused by a major storm on December 3, 1983. The damages caused by this storm are estimated at \$6,450,000. The Governor's request for federal assistance cited the threat to water quality and the resulting reduced yield to the State Water Project if delta islands are permanently flooded due to levee failures.

In a letter to the Governor, dated September 19, 1984, the FEMA Director denied California's request for a major disaster declaration. In the letter, the director indicates that FEMA denied the request because the levee failures "indicate a problem which is chronic in nature rather than a result of a sudden unexpected event." He further states that "for future requests of this type to be considered for favorable recommendation, we must be convinced that every effort is being taken to protect and preserve the fresh water in the delta."

At this point, we cannot say whether current and proposed state and local efforts in the delta will satisfy FEMA. We note, however, that:

1. The amount of funding requested for subventions is \$8 million less than what the department proposed in its plan; and
2. According to the department, local agencies are not regularly inspecting their levees and have not submitted any inspection reports to the department as recommended in the department's mitigation plan.

We recommend approval of the \$2 million requested for levee maintenance (consisting of \$1,700,000 in Item 3860-101-001, and \$300,000 in Item 3860-001-001) on the basis that this amount clearly is needed and is consistent with the funding cap established by Ch 1159/81. We also recommend the department report at budget hearings on (1) the amount of mitigation that will result from the expenditure of \$2 million, (2) whether current state and local actions to maintain and rehabilitate the delta levees will be sufficient to qualify California for federal disaster assistance in the event of future levee failures, and (3) the status of the department's mitigation plan for the delta levees.

Evaluation of CIMIS Pilot Program Needed

We withhold recommendation on \$1,600,000 requested in Item 3860-001-144 for statewide implementation of the CIMIS project, pending receipt of the department's report evaluating the CIMIS pilot program.

The budget requests \$1,600,000 from the California Water Fund for the California Irrigation Management Information System (CIMIS) in 1985-86. This is an increase of 7 personnel-years and \$712,000, or 80 percent, over the 1984-85 levels.

DEPARTMENT OF WATER RESOURCES—Continued

The current year marks the end of a four-year research and development project which is designed to analyze and quantify the costs and benefits of computerized irrigation scheduling. Approximately 80 growers are taking part in the project. To date, \$3,488,000 has been provided for this project. The 1985-86 request will provide funds to begin the statewide implementation of CIMIS on a three-year trial basis. The department estimates that the annual cost of this trial program will be approximately \$1.7 million.

The Supplemental Report of the 1984 Budget Act directs the department to submit a final report on the CIMIS pilot project to the fiscal committees and Joint Legislative Budget Committee by March 1, 1985. The report is to include the following information: (1) an evaluation of grower acceptance of the CIMIS project and the potential for grower participation in an expanded effort, (2) an assessment of grower willingness to pay or share in the costs of an expanded CIMIS project, (3) findings on the amount of water and energy saved as a result of CIMIS, and (4) the economic feasibility, and cost and benefits to growers and to the state of CIMIS. Until it has this information, the Legislature will not be able to determine if (1) the benefits of statewide implementation of CIMIS will exceed the costs for both the growers and the state, (2) how statewide implementation can be designed to maximize those benefits, and (3) who should pay for implementation of CIMIS. We, therefore, withhold recommendation on \$1,600,000 in Item 3860-001-144, pending receipt of the department's evaluation.

Trinity River Management Program Overbudgeted

We recommend that \$92,000 of the \$152,000 requested for the Trinity River Management Program be deleted to eliminate overbudgeting. (Reduce Item 3860-001-001 by \$92,000.)

The budget requests \$152,000 from the General Fund and 1.5 personnel-years for the Trinity River Management Program.

The federal Trinity River Management Act of 1984 authorized the Trinity River Management Program to restore fish and wildlife in the Trinity River Basin. These resources have been adversely affected as a result of (1) federal water facilities that have diverted flows from the Trinity River to the Sacramento River and (2) past logging practices. This 10-year project has an estimated total cost of \$55 million.

The act requires the federal government to provide 85 percent of the project costs and the state to provide 15 percent. The state's share must be paid in cash to the U.S. Treasury, rather than with in-kind services. The Department of Water Resources' and Department of Fish and Game have each agreed to pay 7.5 percent of the total annual cost for the project.

The U.S. Bureau of Reclamation is requesting \$680,000 in federal fiscal year 1986 to provide its 85 percent share of the cost for the Trinity River Management Program. Consequently, the Department of Water Resources' share will be \$60,000—\$92,000 less than the amount requested. In addition, we find that the department's request for 1.5 personnel-years for the program is not justified because the state's share of the project costs cannot take the form of in-kind services. We therefore recommend a reduction of \$92,000 and 1.5 personnel-years in Item 3860-001-001.

DEPARTMENT OF WATER RESOURCES—CAPITAL OUTLAY

Item 3860-301-036 from the General Fund Special Account for Capital Outlay

Budget p. R 170

Requested 1985-86	\$8,800,000
Recommended approval	4,356,000
Recommended reduction	3,314,000
Recommendation pending	1,130,000

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

Analysis page

1. **Minor Projects. Reduce by \$14,000.** Recommend reduction of funds requested for Knights Landing Outfall Gates, based on revised cost estimate. Withhold recommendation on \$100,000 requested for Sutter Maintenance Yard—Grading and Paving, pending receipt of current cost estimate. 595
2. **Sacramento-San Joaquin River Bank Protection Program.** Recommend approval. 596
3. **Merced Stream Channel Improvement. Delete \$2,500,000.** Recommend deletion because the project has not been justified. 596
4. **Sacramento River-Chico Landing to Red Bluff.** Withhold recommendation on \$1,030,000 requested for environmental mitigation, pending adoption of final Environmental Impact Report. 597
5. **Sutter Bypass—Weir No. 2 Replacement. Reduce by \$800,000.** Recommend deletion of construction funding until project design completed. 597

ANALYSIS AND RECOMMENDATIONS

The budget proposes appropriations totaling \$8,800,000 from the Special Account for Capital Outlay (SAFCO) to the Department of Water Resources for projects related to flood control.

(1) Minor Projects \$320,000

We recommend a reduction of \$14,000 in the amount requested for minor projects to reflect the funding requirement in the revised cost estimate for the Knights Landing Outfall Gates. We withhold recommendation on \$100,000 requested for Sutter Maintenance Yard-Grading and Paving, pending receipt of a current and more detailed cost estimate.

The department is requesting \$320,000 for the following minor projects (\$200,000 or less per project):

(a) Knights Landing Outfall Gates	\$80,000
(b) Flood Center Computer Room Remodeling.....	90,000
(c) Sacramento Maintenance Yard—Day Yard	50,000
(d) Sutter Maintenance Yard—Grading and Paving	100,000
Total.....	\$320,000

Knights Landing Outfall Gates. The department requests \$80,000 for phase II of the maintenance project for the Knights Landing Outfall Gates. The department received \$75,000 in 1984-85 for phase I of this

DEPARTMENT OF WATER RESOURCES—CAPITAL OUTLAY—Continued

project. Our analysis indicates the project is justified. The department, however, has revised its cost estimates for phase II and now estimates that the total cost will be only \$66,000. Accordingly, we recommend a reduction of \$14,000.

Sutter Maintenance Yard—Grading and Paving. The department requests \$100,000 to complete grading of the yard, install surface and underground drainage facilities, and asphalt 1.1 acres of the unimproved yard area. The project is needed to prevent heavy construction equipment and vehicles from being incapacitated by the mud during rainy weather. Although the project appears justified, the department's funding request is based on a verbal 1983 estimate. Without a current cost estimate that describes how the funds will be used, we are unable to determine if the requested amount is reasonable. We therefore withhold recommendation on \$100,000 for this project, pending receipt of a current written cost estimate.

(2) Sacramento-San Joaquin River Bank Protection Project \$4,050,000

We recommend approval.

The budget requests \$4,050,000 to continue the Sacramento-San Joaquin River Bank Protection Project, which was authorized in 1960 by Section 12657 of the State Water Code in order to protect the existing levee system of the Sacramento River and its tributaries. The project provides for the construction of bank erosion control works and the setback of levees along the Sacramento River from Collinsville upstream to the vicinity of Chico. Of the total 405,000 linear feet of river banks that will be lined with rock, 182,000 feet have been completed. Bank protection work is scheduled for three areas of the Sacramento River (units 37, 38, and 39) in 1985-86.

The State Reclamation Board, which is located within the Department of Water Resources, is the nonfederal participant in the project. The state provides funds to acquire lands, easements, and rights-of-way, as well as to relocate utilities. These expenditures, in combination with cash payments, provide the required one-third state funding for the project. The federal government pays two-thirds of the total project costs, which include project construction.

We recommend approval of the \$4,050,000 because the project appears justified and the costs appear to be reasonable.

(3) Merced Stream Channel Improvement \$2,500,000

We recommend a reduction of \$2,500,000 to delete funds requested for the Merced Stream Project because the department has not justified the amount requested.

The department is requesting \$2,500,000 for the first year of the five-year Merced Stream Channel Improvement Project. The project was authorized under the federal Flood Control Act of 1970 and by Section 12667 of the State Water Code (Ch 1231/74). Generally, the requested funds will be used to pay the state's share of the cost for lands, easements, rights-of-way and relocations.

The department has indicated that a description of the lands, easements and rights-of-way to be acquired and the utility relocations to be completed in 1985-86 is not available.

Furthermore, the department has not completed the environmental assessment for the project required by the California Environmental

Quality Act (CEQA). In fact, it does not plan to begin the assessment until after federal and state funds have been provided for construction. Consequently, the cost estimate for the project cannot be considered final since the department has not determined what level of mitigation is needed.

Without a description of the project and final cost estimates, the Legislature has no way of knowing what will be accomplished by the project or whether the requested amount is reasonable. Lacking this information we are unable to recommend approval of the funds and instead recommend that the \$2,500,000 requested for this project be deleted.

(4) Sacramento River, Chico Landing to Red Bluff \$1,030,000

We withhold recommendation on \$1,030,000 requested for mitigation work in connection with this bank protection project, pending review of the final Environmental Impact Report for the project.

The department is requesting \$1,030,000 to mitigate the impacts resulting from bank protection work on the Sacramento River between Chico Landing and Red Bluff, that will be completed by September 1985. The mitigation measures include acquisition of 390 acres of riparian vegetation sites, and graveling an estimated 4,100 linear feet on the banks to provide spawning habitat for salmon. The proposed mitigation measures described above are included in the Draft Environmental Impact Report (EIR) prepared by the Reclamation Board, which is the nonfederal project participant.

As a result of a lawsuit, the Reclamation Board agreed in an out-of-court settlement to prepare an EIR for bank protection work between Chico Landing and Red Bluff that is completed before September 1985. The department indicates that the remainder of the project will be completed by 1990. The draft EIR states that impacts associated with future construction will be discussed in Supplemental Information Reports (SIRs) prepared by the U.S. Army Corps of Engineers and that all impacts will be dealt with in accordance with state laws and regulations.

The state is paying the full cost for mitigation because the Corps of Engineers claims that it is not required to provide funding for mitigation in connection with any project authorized prior to the enactment of the National Environmental Policy Act (NEPA).

The public comment period for the Draft EIR closed on January 21, 1985. The Reclamation Board expects to approve the final EIR at either its February or March monthly hearing.

Until the EIR is final, the specific characteristics and cost of the mitigation required for the project cannot be known with certainty. Therefore, we withhold recommendation on \$1,030,000, pending adoption of the final EIR.

(5) Sutter Bypass—Weir No. 2 Replacement \$900,000

We recommend a reduction of \$800,000 requested for replacement of Weir No. 2 at Sutter Bypass because the design for the new weir is incomplete, and there is not a sufficient basis for determining the amount needed for construction.

The budget requests \$900,000 to replace Weir No. 2 and to either replace or renovate the nearby fish ladder at the Sutter Bypass. This amount consists of \$800,000 for construction and \$100,000 for project design and planning.

The department indicates that the weir needs to be replaced because it is dangerous to operate. The weir needs to be closed during winter flows

DEPARTMENT OF WATER RESOURCES—CAPITAL OUTLAY—Continued

in order to raise the water level in the nearby Sutter National Wildlife Refuge. The weir's design, however, makes closing the gates difficult and dangerous during high winter flows. The department also proposes to either replace or renovate the nearby fish ladder, based on the Department of Fish and Game's assessment that the existing fish ladder is inadequate. The department plans to complete the final designs for the weir and fish ladder by the spring of 1986 and complete construction by the fall of 1986.

Our analysis indicates that the request for construction funds is premature. The department has not begun the design work for either the weir or the fish ladder, and does not expect to complete design of the facilities until the last several months of 1985-86. We, therefore, recommend a reduction of \$800,000 to eliminate funds requested for project construction. We recommend approval of the remaining \$100,000 requested for planning and design, so that the project may proceed without significant delay.

DEPARTMENT OF WATER RESOURCES—CAPITAL OUTLAY

Item 3860-301-140 from the Environmental License Plate Fund

Budget p. R 170

Requested 1985-86	\$500,000
Recommended reduction	500,000

1. Sacramento-San Joaquin River Riparian Habitat..... \$500,000

We recommend deletion of \$500,000 requested for environmental mitigation in connection with the Sacramento-San Joaquin River Bank Protection Project, because (1) the State Reclamation Board has not identified any significant adverse environmental impacts from the project that warrant mitigation, (2) there is no justification for the specific request and (3) other funds are available for this purpose.

The department requests \$500,000 to acquire 270 acres of land with riparian vegetation in the Butte Basin. The purpose of this acquisition is to mitigate the environmental impacts of bank protection work that is proposed for 1985-86 as part of the Sacramento-San Joaquin River Bank Protection Project—Phase II (please see p. 596). The Department of Water Resources' budget request states that the acquisition of this land "will be a major part of the mitigation measures that may be necessary to bring the project into compliance with CEQA [California Environmental Quality Act]."

Need for Additional Mitigation Uncertain. Mitigation has been provided in the past for phase II of the project, which consists of bank protection work. The U.S. Army Corps of Engineers and the Department of Water Resources are authorized, under federal and state law, to use up to 10 percent of total project funds in phase II for "environmental purposes."

The Corps of Engineers prepared a final Environmental Impact Statement (EIS) for the Sacramento Bank Protection Project in 1972. As work is proposed on new sections of the river, the Corps prepares supplements

to the EIS. The Corps has prepared the draft supplement to its final EIS for the construction work that is proposed for funding by the department in 1985-86. That supplement concludes that the proposed bank protection work will cause significant adverse effects on fish and wildlife. The level of mitigation needed to offset project impacts identified in the EIS, however, has not been determined.

The U.S. Fish and Wildlife Service (FWS) recommends acquisition of 350 acres of land with riparian vegetation to mitigate project impacts relating to habitat loss. The Corps, on the other hand, estimates that only 15 acres are needed for this purpose. The Corps' supplement states that specific mitigation measures will be determined just prior to construction, and cites the availability of up to 10 percent of the project cost to fund any necessary mitigation measures.

Thus, the *federal* agencies involved in the project have determined that the project *will have* adverse effects that should be mitigated, although there is not agreement on the amount of mitigation needed.

Reclamation Board Determination. Although the Corps' draft EIS indicates the project has significant adverse environmental impacts, the State Reclamation Board appears to have determined that the project *will not have* any significant adverse environmental impacts. The State Reclamation Board is the nonfederal participant for the Sacramento Bank Protection Project and the lead agency for determining the environmental impacts of this project under CEQA. The Reclamation Board's legal counsel states that the board is not preparing an Environmental Impact Report (EIR) for the project because the project does not cause significant environmental impacts. This has also been the board's position for all previous work relating to phase II of the project. Based on the board's finding, there appears to be no need to provide additional state funds for mitigation measures.

The stated purpose of this budget request is to comply with CEQA. Yet the state agency responsible for the project apparently has determined that the project requires no mitigation under CEQA. In addition, the budget proposal does not explain how the specific need for 270 acres of mitigation land was determined, and the relevant federal agencies differ widely in their estimates of mitigation needs. Finally, 10 percent of project construction costs also may be used for mitigation. For all of these reasons, we recommend deletion of this item, for a savings of \$500,000.

DEPARTMENT OF WATER RESOURCES—REAPPROPRIATION

Item 3860-490 from the General
Fund Special Account for
Capital Outlay

Budget p. R 171

ANALYSIS AND RECOMMENDATIONS

We recommend deletion of this reappropriation item because (1) a final design has not been prepared for the project, (2) the request is based on outdated cost estimates, and (3) it is not clear how the funds will be used.

The department is requesting a reappropriation for one year of \$2,235,000 from the Special Account for Capital Outlay originally appropriated in Item 3860-301-036(3) of the 1984 Budget Act for the Fairfield Streams Group (flood control) Project. None of this money has been spent, and the funds will revert on June 30, 1985. The project is authorized under the federal Flood Control Act of 1965 and by Section 12666 of the State Water Code (Ch 183/74). Generally, the funds will be used to pay the state's share of the cost for lands, easements, rights-of-way and relocations.

Project Design and Costs Not Final. The State Reclamation Board, which is the nonfederal project sponsor, has indicated that the U.S. Army Corps of Engineers is reducing the scope of the Fairfield Streams Project at the request of the local agencies. It also indicates that the proposed design won't be available until March 1985.

The original design included approximately 11 miles of stream-channel improvements, eight structures to reduce stream velocities, construction of about three miles of diversion channels, and modification of an existing detention basin. Although the project is being down-scoped the department still bases its cost estimate on the original project design. Thus, it is likely that funding for the project is over-budgeted, although the actual funding requirements will not be known until the new design is available.

Furthermore, until the new design is complete, the board cannot begin the environmental assessment for the project, as the California Environmental Quality Act (CEQA) requires. This assessment is necessary to determine how much should be included in the final cost estimate for environmental mitigation measures.

Local Reimbursement May Not Be Required. The costs of Fairfield Streams are shared by the federal, state, and local governments. The U.S. Army Corps of Engineers, which is the federal project sponsor, is responsible for *all* construction costs. The Reclamation Board is responsible for up to 75 percent of the cost of lands, easements, and rights-of-way, and up to 90 percent of the cost of relocations. The local agencies (the cities of Fairfield and Suisun) are responsible for the remaining costs. The City of Fairfield began acquiring lands, easements, rights-of-way and relocating utilities before federal or state funding was appropriated. The city estimates that its expenditures to date for property acquisitions exceed 40 percent of the *original* estimate of these costs. As a result, the city has exceeded its 25 percent share of the acquisition costs.

The department's budget request for the Fairfield Streams Project indicates that funds proposed for 1985-86 will be used first to reimburse the city for the state's share of rights-of-way costs that the city has incurred, and then to acquire additional lands, easements, and rights-of-way. Subsequent conversations with the department and the Reclamation Board have resulted in conflicting statements as to whether the city will be

reimbursed and whether the state is obligated to reimburse the city.

In sum, there is simply too much uncertainty about this project to permit meaningful review by the Legislature at that time. Without (1) a description of the final project design, (2) a current cost estimate, and (3) a clear explanation of how the funds will be used, there is no way the Legislature can determine if the requested amount is reasonable. Accordingly, we recommend deletion of \$2,235,000 requested for the Fairfield Streams Project.

Resources Agency

STATE WATER RESOURCES CONTROL BOARD

Item 3940 from the General
Fund and special funds

Budget p. R 172

Requested 1985-86	\$28,197,000
Estimated 1984-85.....	26,547,000
Actual 1983-84	14,019,000
Requested increase (excluding amount for salary increases) \$1,650,000 (+6.2 percent)	
Total recommended decrease	30,000
Recommendation pending	851,000

1985-86 FUNDING BY ITEM AND SOURCE

Item—Description	Fund	Amount
3940-001-001—Support	General Fund	\$24,266,000
3940-001-014—Hazardous waste site closure	Hazardous Waste Control Account	424,000
3940-001-475—Underground tank enforcement	Underground Tank Storage Fund	1,086,000
3940-001-476—Underground tank inventory	Underground Container Inventory Account, General	142,000
3940-001-482—Toxic pits regulation	Surface Impoundment Assessment Account, General	1,895,000
3940-001-740—Support	1984 State Clean Water Bond	384,000
3940-001-890—Support	Federal Trust	(13,208,000)
3940-101-890—Local assistance	Federal Trust	(182,000)
Total		\$28,197,000

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

Analysis
page

1. **Underground Tank Surcharge.** Withhold recommendation on proposed Budget Bill language, pending receipt of additional information. 607
2. **Enforcement.** Withhold recommendation on \$851,000 requested for enforcement activities, pending analysis of the regional boards' enforcement workload. 607
3. **Hazardous Waste Control Account (HWCA).** Recommend that the board report prior to budget hearings, on enforcement-related costs for underground tanks that should be funded from the HWCA. 608

STATE WATER RESOURCES CONTROL BOARD—Continued

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| 4. Regulatory Deficiencies. Recommend that the Legislature adopt supplemental report language requiring the board to continue to submit quarterly reports on its progress in correcting deficiencies in its regulatory program. | 609 |
| 5. Certification. Recommend that the board report during budget hearings on the effects of eliminating the certification program. | 610 |
| 6. Tahoe Regional Planning Agency. Recommend reinstatement of 4.2 personnel-years of staff proposed for deletion because (a) the proposal to contract with the Tahoe Regional Planning Agency (TRPA) for water quality enforcement is premature and (2) TRPA's enforcement capability has not been demonstrated. | 610 |
| 7. Staff Reduction. Reduce Item 3940-001-734 by \$20,000, Item 3940-001-001 by \$3,000, and Item 3940-001-890 by \$7,000. Recommend reductions to correct for overbudgeting. | 611 |

GENERAL PROGRAM STATEMENT

The State Water Resources Control Board has two major responsibilities: the regulation of water quality and the administration of water rights.

The state board carries out its water pollution control responsibilities by establishing wastewater discharge policies and by administering state and federal grants to local governments for the construction of wastewater treatment facilities. Nine regional water quality control boards establish wastewater discharge requirements and carry out water pollution control programs in accordance with the policies, and under the supervision, of the state board. Funding for the regional boards is included in the state board's budget.

The board's water rights responsibilities involve the issuance of permits and licenses to applicants who desire to appropriate water from streams, rivers, and lakes.

The board is composed of five full-time members who are appointed by the Governor to serve staggered four-year terms. The state board and the regional boards have a combined total of 757.4 personnel-years of staff in the current year.

OVERVIEW OF THE BUDGET REQUEST

The budget requests appropriations totaling \$28,197,000 from the General Fund and other state funds for support of the State Water Resources Control Board (SWRCB) in 1985-86. This is an increase of \$1,650,000, or 6.2 percent, from comparable estimated current-year expenditures. This increase will grow by the cost of any salary or staff benefit increases that may be approved for the budget year.

The budget does not include any funds in 1985-86 for the estimated cost of General Fund merit salary increases (\$71,000) or inflation adjustments for operating expenses and equipment (\$197,000). Presumably, these costs will be financed by diverting funds budgeted for other purposes.

The budget proposes *total* expenditures of \$117,517,000 from all sources, including State Clean Water bond funds, federal funds, and reimbursements in 1985-86. This is a decrease of \$1,005,000, or 0.8 percent, from estimated total expenditures in the current year.

Table 1 summarizes the staffing and expenditures for the SWRCB during the period 1983-84 through 1985-86.

Table 1
State Water Resources Control Board
Budget Summary
1983-84 through 1985-86
(dollars in thousands)

Program	Personnel-Years			Expenditures			Change 1985-86 over 1984-85	
	Actual 1983-84	Estimated 1984-85	Proposed 1985-86	Actual 1983-84	Estimated 1984-85	Proposed 1985-86	Amount	Percent
Water Quality								
Regulation	249.4	352.4	411.3	\$20,048	\$27,908	\$32,397	\$4,489	16.1%
Planning	21.2	17.6	17.6	3,037	2,166	2,058	-108	-5.0
Facility Development Assistance	133.2	123.7	123.7	58,235	79,761	74,706	-5,055	-6.3
Research & Technical Assistance.....	76.9	73.8	72.3	2,138	2,121	2,206	85	4.0
Subtotals	480.7	567.5	624.9	\$83,458	\$111,956	\$111,367	-\$589	-0.5%
Water Rights								
Water Appropriation.....	55.1	52.1	52.1	\$3,066	\$3,234	\$3,321	\$87	2.7%
Water Management/Enforcement	18.6	25.6	25.6	1,309	1,720	1,629	-91	-5.3
Determination of Existing Rights	3.3	4.8	4.8	215	310	315	5	1.6
Technical Assistance	20.0	22.0	21.5	775	1,302	1,153	-149	-11.4
Subtotals	97.0	104.5	104.0	\$5,365	\$6,566	\$6,418	-\$148	-2.3%
Administration ^a	86.4	85.4	84.1	(4,092)	(4,477)	(5,457)	(980)	(21.9)
Unallocated Reduction ^b	—	—	—	—	—	—	-268	N/A
Totals.....	664.1	757.4	813.0	\$88,823	\$118,522	\$117,517	-\$1,005	-0.8%
Sources of Funds:								
General Fund.....				\$13,810	\$24,402	\$24,266	-\$136	-5.6%
Hazardous Waste Control Account.....				209	1,394	424	-970	-69.6
Underground Tank Storage Fund.....				—	97	1,086	989	1020.0
Underground Container Inventory Account				—	654	142	-512	-78.3
Surface Impoundment Assessment Account				—	—	1,895	1,895	N/A
State Water Quality Control Fund.....				1,029	1,358	1,240	-118	-8.7
State Clean Water Bond Fund				57,360	72,259	71,807	-452	-0.6
1984 State Clean Water Bond Fund				—	—	384	384	N/A
Federal Trust Fund				14,001	14,458	13,390	-1,068	-7.4
Reimbursements				2,414	3,900	2,883	-1,017	-26.1%

^a Costs are allocated to other programs.

^b Reflects elimination of funds for General Fund merit salary increases and inflation adjustments for operating expenses and equipment.

STATE WATER RESOURCES CONTROL BOARD—Continued

Table 2
State Water Resources Control Board
Proposed 1985-86 Budget Changes
(dollars in thousands)

	General Fund	Bond Funds	Hazardous Water Waste Quality Control Control Account Fund		Other State Funds	Federal Trust Fund	Reimburse- ments	Totals
1984-85 Expenditures (Revised)	\$24,402	\$72,259	\$1,394	\$1,358	\$751 ^a	\$14,458	\$3,900	\$118,522
A. Administrative adjustments:								
1. Full-year cost of 1984-85 salary increase, inflation adjustments, and other adjustments	7	182	30	-118	25 ^b	-32	10	72
2. One-time costs:								
a. Leviathan Mine cleanup	—	—	—	—	—	—	—	-1,298
b. Tijuana River facility ...	-5,500	—	—	—	—	—	—	-5,500
c. Clean Lakes grants	—	—	—	—	—	-1,060	—	-1,060
3. Switch support for underground tank program to fees	-550	—	—	—	550 ^c	—	—	—
B. Program changes:								
1. Implementation of annual compliance inspections (12.4 PY)	1,429	—	-472	—	—	—	—	957
2. Automation of self-monitoring reports (0.9 PY) ...	634	—	-30	—	—	—	—	604
3. Increased enforcement (12.7 PY)	1,349	—	-498	—	—	—	—	851
4. Increased enforcement of underground tanks program (8.6 PY)	1,085	—	—	—	-98 ^d	—	245	1,232
5. Implementation of subchapter 15 land disposal regulations (5.9 PY)	277	—	—	—	—	—	—	277
6. Oversight of local pretreatment programs (6.5 PY)	296	—	—	—	—	—	—	296
7. Implementation of Toxic Pits Act (28.8 PY)	—	—	—	—	1,895 ^e	—	—	1,895
8. Increased coordination by Program Control Unit (1.7 PY)	154	—	—	—	—	77	26	257
9. One-time and ongoing increase for equipment	580	—	—	—	—	—	—	580
10. Implementation of 1984 Clean Water Bond Act ...	—	219	—	—	—	—	—	219
11. Monitoring of water rights permits	129	—	—	—	—	—	—	129
12. Reductions from program efficiencies (-19.9 PY) ...	-26	-469	—	—	—	-53	—	-516
1985-86 Expenditures (Proposed)	\$24,266	\$72,191	\$424	\$1,240	\$3,123 ^f	\$13,390	\$2,883	\$117,517
Changes from 1984-85:								
Amount	-\$136	-\$68	-\$970	-\$118	\$2,372	-\$1,068	-\$1,017	-\$1,005
Percent	-0.6	-0.1	-30.4	-8.7	315.9	-7.4	-26.1	-0.8

^a \$97,000 Underground Tank Storage Fund (UTSF) and \$654,000 Underground Container Inventory Account (UCIA).

^b \$10,000 UTSF and \$15,000 UCIA.

^c UTSF.

^d \$429,000 UTSF and -\$527,000 UCIA.

^e Surface Impoundments Assessment Account (SIAA).

^f \$1,086,000 UTSF, \$142,000 UCIA, and \$1,895,000 SIAA.

Proposed Budget Changes

Table 2 shows the changes in the SWRCB's budget proposed for 1985-86, by funding source.

ANALYSIS AND RECOMMENDATIONS

We recommend approval of all proposed workload and price adjustments, as well as the following proposed budget changes that are not discussed elsewhere in this analysis:

Compliance Inspections (\$457,000 and 12.4 PYs). The budget requests a net increase of \$957,000 and 12.4 personnel-years (PYs) to implement an expanded compliance inspection program to (1) inspect all waste dischargers at least annually, (2) provide more frequent inspections when necessary, and (3) standardize inspection procedures, including sampling. In addition, the board proposes to shift funding (\$472,000) for 11.1 PYs added in the current year from the Hazardous Waste Control Account to the General Fund in 1985-86.

Automated Self-Monitoring Requirements (\$604,000 and 0.9 PY). The budget requests a General Fund augmentation for the development of an automated system to review self-monitoring reports submitted by waste dischargers. In addition, the budget proposes to shift the source of funds for 0.8 PY (\$30,000) from the Hazardous Waste Control Account to the General Fund. Thus, the total requested increase from the General Fund in 1985-86 is \$634,000.

Land Disposal Regulations, Subchapter 15 (\$277,000 and 5.9 PYs). The budget requests an augmentation to implement new regulations for land disposal of nonhazardous wastes. These regulations require hydrogeological and engineering reviews of existing and proposed land disposal facilities (such as landfills).

Pretreatment (\$296,000 and 6.5 PYs). The budget requests an augmentation to continue implementation of Ch 1542/84, which appropriated \$270,000 from the General Fund to implement a pretreatment program beginning January 1, 1985. This program evaluates local agencies' efforts to regulate industrial wastewater discharges to treatment facilities.

Toxic Pits (\$1,895,000 and 28.8 PYs). The budget requests \$1,895,000 from fees deposited in the Surface Impoundment Assessment Account to begin implementation of Ch 1543/84, which requires the board to regulate pits, ponds, and lagoons that contain hazardous wastes. This augmentation will provide 22.3 additional PYs to the regional boards and 6.5 additional PYs to the state board. During 1985-86, the board will develop regulations, adopt fee schedules, and review requests for exemptions to facility closure requirements.

Program Control Unit (\$257,000 and 1.2 PYs). The budget requests increases of \$154,000 from the General Fund, \$77,000 from federal funds, and \$26,000 from reimbursements for this unit. Of the increase, \$107,000 is for 1.7 PYs to coordinate new or expanded water quality regulatory

STATE WATER RESOURCES CONTROL BOARD—Continued

activities and \$150,000 is for contracts to audit program performance.

Equipment (\$580,000). The budget requests a General Fund augmentation for equipment, of which \$425,000 would be used for a one-time purchase of computers, microfilm machines, and other equipment, and \$155,000 is for maintenance contracts. The budget also identifies \$437,000 of maintenance costs in 1986-87 and 1987-88 and \$71,000 of ongoing costs thereafter. The equipment is needed to support the board's expanded toxics and water quality programs.

1984 Clean Water Bond Act (\$219,000 and 6.6 PYs). The budget requests an augmentation to implement the 1984 Clean Water Bond Act, which provided \$350 million to the board for wastewater treatment facility grants and loans. The board proposes to make available 6.6 personnel-years to administer the bond program by (1) shifting to the 1984 bond fund \$165,000 and 2.5 PYs now supported by prior bond funds and (2) authorizing existing staff to work 4.1 PYs of overtime (\$169,000).

Water Rights (\$129,000). The budget for 1985-86 requests an increase of \$129,000 from the General Fund for overtime pay (the equivalent to 3.0 PYs) so that staff can monitor more than 13,500 active water rights permits for compliance with permit conditions.

1984-85 Augmentation of Water Quality Regulatory Program

In the 1984 Budget Act, the Legislature augmented the water quality regulatory program by \$2.8 million and 112 positions (which would have resulted in approximately 52.6 PYs of staff effort in the current year, due to a starting date of January 1, 1985). The augmentation consisted of (1) \$800,000 from the General Fund for work on waste discharge orders and waste discharger fee collections and (2) \$2 million from the Hazardous Waste Control Account (HWCA) for work on waste discharge orders, inspections, enforcement, and the toxics program. The Legislature also adopted Budget Bill language that required each regional board to develop a work plan with workload standards for these and other activities.

In signing the Budget Act, the Governor reduced the augmentation by \$1.8 million, leaving \$1 million and 48.2 positions (22.9 PYs) from the HWCA for compliance inspections, enforcement, and an automated self-monitoring report system. The Governor also vetoed the requirements for a work plan and workload standards.

Underground Tanks Report

In response to a directive contained in the *Supplemental Report to the 1984 Budget Act*, the board submitted a report to the Legislature on the status of the Underground Tank Leak Detection program on October 1, 1984. The report included a work plan for 1984-85 and 1985-86, which consisted of the following major activities: (1) completion of the underground container inventory, (2) adoption of regulations, (3) development of a computerized data base, (4) consideration of variance requests, (5) development of a leak detection program in priority groundwater areas, and (6) enforcement action on confirmed leaks. The board estimated that there may be approximately 200,000 underground tanks in use in California. On January 25, 1984, the board adopted regulations for the permitting, monitoring, and operation of underground tanks.

Underground Tank Surcharge Revision Needed

We withhold recommendation on proposed Budget Bill language in Item 3940-001-475 that would establish the underground tank surcharge fee, pending receipt and analysis of (1) the board's inventory of underground tanks and (2) the board's estimate of the five-year cost to implement the Underground Tank Permit Program.

Chapter 1046/83 requires operators of underground tanks to obtain a permit from and pay a fee to the city or county in which the tank is located. The fee (which is for a five-year permit) includes a surcharge to cover the board's cost of implementing Chapter 1046. The surcharge is set annually by the Legislature in the Budget Act. The surcharge set by the 1984 Budget Act is \$28.

The proposed language in Item 3940-001-475 of the 1985 Budget Bill would maintain the surcharge at \$28. This rate, however, is based on outdated estimates of the number of tanks and the five-year cost of the program.

The board soon will complete its inventory of underground tanks and revise its five-year cost estimate, thereby providing the Legislature with a more reliable basis for setting the amount of the surcharge. Accordingly, we withhold recommendation on provision 1 in Item 3940-001-475, pending receipt and analysis of this information.

Enforcement Workload Estimate is Unreliable

We withhold recommendation on 12.7 additional personnel-years and \$851,000 requested in Item 3940-001-001 for enforcement activities, pending receipt and analysis of information on the enforcement workload of the regional boards.

The budget requests an increase of \$851,000 and 12.7 personnel-years to handle an increased enforcement workload. In addition, the budget requests a shift in the source of funds for 11 personnel-years used for enforcement (\$498,000) from the Hazardous Waste Control Account to the General Fund. Thus, the proposed General Fund increase for 1985-86 is \$1,349,000. With this increase, the General Fund will be supporting 60.7 personnel-years for all water quality enforcement activities, at a cost of approximately \$3,781,000.

Background. When the board identifies a violation of water quality regulations, it may take one or more of the following types of enforcement action: (1) informal administrative actions, (2) time schedule orders, (3) clean-up and abatement orders, (4) cease and desist orders, (5) judicial actions, or (6) administrative penalties. The type of action selected depends upon a variety of factors, including the threat to public health posed by the violation, facility size, toxicity of the discharge, and the board's perception of the discharger's cooperativeness.

The board's 1985-86 budget request for enforcement is based on estimates of the number of, and the workload associated with, each type of enforcement action. The estimates on which the budget is based, however, are outdated or unreliable. For example, the board bases its estimate on the number of informal administrative actions resulting from compliance inspections in 1981-82 and 1982-83. In 1983-84, however, the rate rose to 40 percent. If this rate continues through 1985-86, it would mean an additional 650 administrative actions. Using the board's current workload standards, this additional workload would require at least four more personnel-years of staff.

STATE WATER RESOURCES CONTROL BOARD—Continued

The board indicates that a "conservative estimate" of formal enforcement actions for 1985-86 would be 20 percent higher than the board's estimate of what the 1983-84 workload would have been, if it had been able to eliminate its backlog. It is clear that the enforcement workload will increase significantly, because (1) the number of waste discharge orders updated annually will nearly double, (2) revised procedures for enforcement will increase the number of formal actions, and (3) the number of compliance inspections conducted will nearly double. We know of no analytical basis, however, for the assumption that the increased workload will be 20 percent.

The board is now in the process of compiling data from a survey that asked each region to identify, by site, its pending and anticipated enforcement actions and the staff hours needed to complete them. This survey should provide the Legislature with a better basis for estimating the number of enforcement staff needed in 1985-86. Accordingly, we withhold recommendation on \$851,000 requested from the General Fund for enforcement, pending receipt and analysis of the survey results.

HWCA Required to Support Underground Tank Enforcement Activities

We recommend that prior to budget hearings, the board report on the cost to conduct inspections and to issue cease and desist orders for underground tanks.

The budget requests \$2,196,000 from the General Fund in 1985-86 to implement the board's Complementary program for underground tanks.

The Complementary program includes regulatory and enforcement-related activities which are necessary to carry out the purposes of Ch 1046/83, but which according to the board are not specifically required or authorized by the act. Chapter 1046 established the underground tank regulatory program. Activities required by the measure are funded by fees in the Underground Tank Storage Fund.

Chapter 323, Statutes of 1983, established the policy that the Hazardous Waste Control Account (HWCA) would pay for certain inspection and enforcement activities related to underground tanks. Specifically, Section 25174.3 of the Health and Safety Code, as amended by Ch 323/83, requires the HWCA to cover all costs incurred as a result of (1) the inspection of underground tanks and (2) the use of cease and desist orders to take enforcement actions when an underground tank leak is confirmed. Section 25174.3 further states that "it is the intent of the Legislature that funds be annually appropriated in the Budget Act from the Hazardous Waste Control Account to the State Water Resources Control Board for all costs incurred by the Board" in administering cease and desist orders related to underground tanks.

The budget request does not include any funds from the HWCA for enforcement of underground tank provisions nor does it identify the amount attributable to these activities. Accordingly, we recommend that the board report, prior to budget hearings, on what the following activities will cost in 1985-86: (1) underground tank inspections, (2) cease and desist orders related to underground tanks, and (3) other enforcement activities.

Report on Plan to Correct Regulatory Deficiencies

We recommend that the Legislature adopt supplemental report language directing the board to continue its quarterly reports to the Legislature on its progress in correcting deficiencies in its regulatory program.

Deficiencies in several major components of the board's water quality regulatory program were noted in a report prepared by the Auditor General in 1983 as well as in our *Analysis of the 1984-85 Budget Bill* (please see page 773). These deficiencies included (1) inconsistent or inadequate inspections, (2) outdated waste discharge orders, (3) inconsistent procedures, (4) poor workload data and (5) no workload standards. The Legislature adopted language in the *Supplemental Report to the 1984-85 Budget Act* directing the board to submit quarterly reports on the implementation of a work plan to correct these deficiencies.

The board has submitted its first two quarterly reports to the Legislature. These reports indicate that as of January 1, 1985, the board has:

1. Completed a survey of the policies and procedures used by each region.
2. Identified specific activities that require standardization, methods improvement, and work measurements.
3. Developed a new enforcement procedures manual and trained regional staff in its use.
4. Nearly completed the revision and updating of the automated waste discharger system, which was redesigned to make it more accessible and useful to the regions.

Among the activities to be completed in 1985-86 are (1) development and training of regional staff in all new board policies and procedures, (2) collection of preliminary work measurement data, and (3) evaluation of the redesigned waste discharger system. In 1985-86 the board will continue to allocate 3 personnel-years of staff to complete these activities. When the work plan is completed in the fall of 1986, the board will have specific performance and workload measures to use for budgeting and program evaluation.

So that the Legislature can monitor the progress of the board's activities during 1985-86, we recommend that it adopt the following supplemental report language continuing the reporting requirement imposed on the board in 1984-85:

"The State Water Resources Control Board shall continue to report quarterly to the fiscal committees, Joint Legislative Budget Committee and appropriate policy committees on the implementation of a comprehensive plan to correct deficiencies in the board's water quality regulatory program. The progress report shall include (1) a description of and status report on all tasks scheduled for development or implementation and (2) copies of policies, procedures, workload measures, and other major products developed under the plan."

Proposed Staff Reduction

The budget proposes the elimination of 19.9 personnel-years (PYs) of staff, for a savings of \$516,000 from various funds, due to "program efficiencies." Staff is proposed to be eliminated from the following activities: certification of compliance with water quality standards (8.2 PYs), Lake Tahoe Basin Water Quality Management (4.2 PYs), special surveys and investigations (2.5 PYs), and administration (5.0 PYs).

STATE WATER RESOURCES CONTROL BOARD—Continued**Elimination of Certification Staff**

We recommend that the board report during budget hearings on the effects of the budget proposal to eliminate the certification program.

The budget proposes to eliminate 8.2 personnel-years and \$300,000 from the Clean Water Bond Fund (CWBF) to eliminate the certification program in 1985–86. This reduction has no effect on the Budget Bill, since the CWBF is continuously appropriated.

According to the Governor's 1984–85 Budget, the Certification program annually reviews over 5,000 construction proposals submitted to the Regional Water Quality Control Boards (RWQCB) by local, state and federal agencies. The RWQCBs determine if the projects have significant water quality impacts that can be eliminated or mitigated. These projects include residential subdivisions, commercial developments, dams, dredging projects, and septic tank installations.

The state has provided millions of dollars to remedy situations where projects were constructed without prior certification review. For example, the state currently is spending \$6 million to install sewer systems in areas in the central valley where septic tanks have failed because they were installed in inappropriate locations. Certification helps the regional boards to identify and prevent these types of problems.

The board claims that the time spent on certification for major projects such as dams and large subdivisions, can be absorbed by staff currently working on waste discharge orders. The board, however, is currently engaged in a major effort to update a backlog of several thousand outdated waste discharge orders. The board, however, has not identified the number or types of projects that will not be reviewed or the impact of eliminating these reviews. Reviews likely to be eliminated include proposals for small to moderate-size residential and commercial developments, as well as some major projects, and proposals for septic tank installations in areas where they are not prohibited.

Accordingly, we recommend that the board report to the fiscal committees on the effect that eliminating the board certification staff would have. This report should address (1) the number of requests for and the staff time needed to review certifications for (a) major, moderate, and minor projects and (b) septic tank-related exemption requests, installation proposals, and county ordinances and (2) the number and types of projects that will not be reviewed and the consequences of not reviewing them.

Contract with TRPA is Premature

We recommend reinstatement of 4.2 personnel-years proposed for deletion because (1) contracting with the Tahoe Regional Planning Agency for enforcement activities is premature and (2) the enforcement capability of the TRPA has not been demonstrated.

The budget proposes to eliminate 4.2 personnel-years and use the savings (\$153,000 from the General Fund) to contract with the Tahoe Regional Planning Agency (TRPA) to implement unspecified portions of the Tahoe Basin Water Quality Management Plan. Because TRPA is not a state agency, TRPA staff are not counted as state employees.

The Tahoe Regional Planning Agency (TRPA) was established by an interstate compact approved by the California Legislature (Ch 1589/67),

the Nevada Legislature, and the U.S. Congress. The purpose of the compact is to provide a coordinated land use plan and enforceable regulations to preserve and enhance the environment and resources of the Lake Tahoe Basin. Amendments to strengthen the compact by requiring TRPA to adopt a new regional plan and implementing ordinances were approved in 1980. The TRPA adopted a new plan in April 1984.

The Lahontan Regional Water Quality Control Board (RWQCB) retains responsibility for implementation of the Lake Tahoe Basin Water Quality Management Plan which was approved by the State Water Resources Control Board, including the issuance of waste discharge orders and various monitoring and enforcement activities. The regional board has delegated responsibility for some of its functions to TRPA. Currently, the SWRCB contracts with TRPA for approximately 1.5 personnel-years of staff to review proposed single-family dwellings in order to determine if they violate the regional board's basin plan. The cost of this contract is approximately \$100,000.

The budget proposal does not specify the additional activities TRPA would carry out under the contract, although the budget indicates that unspecified enforcement activities would be delegated to TRPA.

The Attorney General currently is suing TRPA over the failure of TRPA's regional plan (Ordinance 81-4) to adequately implement the water quality requirements of the Tahoe Basin. Even after the suit is settled, however, it will take about one year for TRPA and the SWRCB to review and approve an amended TRPA plan. Consequently, any delegation of new functions to TRPA should be postponed until its plan can assure reliable implementation of the regional board's Tahoe Basin plan.

The regional board has considerable enforcement experience. The budget, however, provides no reason to believe that delegating these activities to TRPA will provide comparable water quality enforcement.

Accordingly, we recommend reinstatement of the 4.2 personnel-years proposed for deletion because (1) the proposal is premature and (2) the enforcement capability of the TRPA has not been demonstrated. Approval of our recommendation would have no net fiscal effect.

Underestimated Savings

We recommend reductions in the amount requested from various funds totaling \$30,000 to correct for overbudgeting. Reduce Item 3940-001-734 by \$20,000, Item 3940-001-001 by \$3,000, and Item 3940-001-890 by \$7,000.

The budget proposes the elimination of 5.0 personnel-years in administrative and temporary help, for a savings of \$130,000 from various funds and (2) 2.5 personnel-years from special surveys and investigations, for a savings of \$86,000 to the State Clean Water Bond Fund. The board indicates that these positions are no longer needed due to program efficiencies.

The budget assumes that these positions are funded at the bottom step of each's salary range. Our analysis indicates, however, that 80 percent of all civil service employees are at the fifth step of their salary range. Accordingly, we recommend that Item 3940-001-734 be reduced by \$20,000, Item 3940-001-001 be reduced by \$3,000, and Item 3940-001-890 be reduced by \$7,000, to reflect a more realistic estimate of savings due to these reductions.