

- A one-time increase of \$250,000 to study the long-term facility needs of the data center.

Space Expansion Overbudgeted

We recommend a reduction of \$670,000 from the Teale Data Center Revolving Fund because the amount budgeted to lease and modify additional space exceeds the amount needed based on more recent cost estimates.

The budget includes an increase of \$1,150,000 to lease and modify additional space to accommodate continued growth in the data center's operations. This increase is in addition to a base level augmentation of \$400,000 approved by the Department of Finance for the same purpose in the current year. Thus, a total of \$1,550,000 would be available in the budget year to pay for additional leased space.

The total amount requested was based on preliminary estimates by data center staff of the amount of space needed and the unit costs associated with that space. Since that time, however, data center staff have refined the estimate of needed space and the Department of General Services has negotiated a rental rate below what was anticipated. Based on this new information, and allowing sufficient funds to pay for modifications and increased utilities, only \$880,000 should be needed in the budget year to address the additional space needs. Accordingly, we recommend a reduction of \$670,000 in the amount requested from the Teale Data Center Revolving Fund.

SEA GRANT PROGRAM

Item 3110-001 from the General Fund

Budget p. R 1

Requested 1989-90	\$525,000
Estimated 1988-89	525,000
Actual 1987-88	520,000
Requested increase—None	
Recommend transfer of support from General Fund to Cigarette and Tobacco Products Surtax Fund	525,000

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

Analysis
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1. *Program Support. Reduce Item 3110-001-001 by \$525,000 and add new Item 3110-001-236 at \$525,000.* Recommend transfer of program support to Cigarette and Tobacco Products Surtax revenue because program goals generally are consistent with the requirements of the Tobacco Tax and Health Protection Act of 1988 (Proposition 99). Further recommend adoption of Budget Bill language requiring that funds be used in a manner consistent with Proposition 99. 268

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

SEA GRANT PROGRAM—Continued

marine resources research programs. Federal funds provide up to two-thirds of approved research costs. The remaining one-third of the project costs must be provided from nonfederal sources.

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

OVERVIEW OF THE BUDGET REQUEST

In 1987-88, institutions within California received \$3.7 million in federal funds for Sea Grant projects. The federal funds were matched with \$2 million from various funding sources and in-kind services, including \$525,000 in state funds provided in the 1987 Budget Act. Similar expenditures are estimated for the current year.

Chapter 1617, Statutes of 1988 (AB 3223, Mojonnier), extended the Sea Grant program through 1993-94 and specified that the program should receive \$525,000 annually from tidelands oil revenues. Because of the projected shortfall in these revenues, however, the budget proposes \$525,000 in *General Fund* support for the Sea Grant program during 1989-90.

In the current year, the Sea Grant program has funded 38 projects all related to the marine environment. Previous work funded by this program encompasses a variety of marine issues, including:

- Studies of the impacts of marine mammals on commercial fisheries,
- Tracking the diseases affecting salmon,
- Coastal wetland research,
- Development of sturgeon aquaculture, and
- Developing new pharmaceutical products from marine organisms.

ANALYSIS AND RECOMMENDATIONS**Cigarette Surtax: Appropriate Source of Support**

The Tobacco Tax and Health Protection Act of 1988 (Proposition 99) provides funding for various health-related programs and certain resources programs through a surtax on cigarettes and tobacco products. Among other things, revenues from the surtax may be used to support (1) tobacco-related disease research, (2) natural habitat protection, restoration and enhancement, and (3) programs related to environmental conservation. (For fuller discussion of Proposition 99, please see Item 0540).

Our review of the Sea Grant program indicates that most of the research and educational activities funded under the program are practical in nature and deal with environmental questions related to marine habitats. These research projects could qualify for surtax funding because they relate to protection and restoration of marine or wetlands environments. In addition, some research under the program is aimed at developing pharmaceutical treatments for cancer—a disease sometimes related to the use of cigarettes and other tobacco products. Our review of the program further indicates that Sea Grant projects which do not relate to marine habitat research or cancer research could be funded from

federal funds provided to the program.

Admittedly, shifting some projects to federal funds could result in some loss of research support because the University of California waives overhead costs for *state*-funded projects, but not for federally-funded projects.

However, we believe that the advantages of freeing up \$525,000 from the General Fund to support other legislative priorities outweigh the small loss in research output that potentially could occur. Accordingly, we recommend eliminating Item 3110-001-001 for a General Fund savings of \$525,000 and adding a new Item 3110-001-236 (Unallocated Account, Cigarette and Tobacco Products Surtax Fund) in the amount of \$525,000. We further recommend the adoption of the following Budget Bill language (in Item 3110-001-236) to ensure that the Sea Grants program spends the surtax funds in a manner consistent with the provisions of Proposition 99:

1. The funds appropriated in this item shall be available only to support applied research projects for (a) protecting, restoring, enhancing or maintaining fish, waterfowl and wildlife habitat, (b) investigating issues and problems related to environmental conservation, (c) marine pharmaceutical research for cancer treatments, or (d) other marine medical research addressing tobacco-related diseases, in accordance with the provisions of Article 2 of Chapter 2 of Part 13 of Division 2 of the Revenue and Taxation Code. Restrictions on uses of the funds appropriated in this item do not apply to funds available to the Sea Grant Program from other sources.

Resources Agency

TAHOE REGIONAL PLANNING AGENCY

Item 3110-101 from the General

Fund and various funds

Budget p. R 1

Requested 1989-90	\$1,366,000
Estimated 1988-89	1,187,000
Actual 1987-88	1,248,000
Requested increase \$179,000 (+15 percent)	
Total recommended reduction	None

1989-90 FUNDING BY ITEM AND SOURCE

Item—Description	Fund	Amount
3110-101-001—Support	General	\$777,000
3110-101-140—Various activities	Environmental License Plate	529,000
3110-101-164—Support	Outer Continental Shelf Lands Act, 8(g) Revenue	60,000
Total		\$1,366,000

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

Analysis
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1. Appropriated Funds. Recommend adoption of Budget Bill language requiring the prompt transfer of all funds appropriated to the agency. 271

TAHOE REGIONAL PLANNING AGENCY—Continued

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 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 were approved by the U.S. Congress, the President, and the state in 1980. Among other things, the revised compact required the TRPA to adopt a new regional plan and implementing ordinances by June 1983. A new plan was adopted by the TRPA governing board in April 1984. However, the adequacy of the plan was challenged in court by the California Attorney General and the League to Save Lake Tahoe. This litigation led to a court-ordered federal injunction that halted almost all development in the Tahoe basin. In May 1987, the TRPA acted to begin formal adoption of a revised regional plan and accompanying ordinances as part of a litigation settlement agreement. The court lifted the development injunction at the time of the settlement.

OVERVIEW OF THE BUDGET REQUEST

The budget proposes three appropriations totaling \$1.4 million as California's share of support for the TRPA in 1989-90. This amount consists of \$777,000 from the General Fund, \$529,000 from the Environmental License Plate Fund (ELPF) and \$60,000 from the federal Outer Continental Shelf Lands Act, Section 8(g) Revenue Fund. This is an increase of \$179,000, or 15 percent, from the amount provided by California in the current year.

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

Table 1 summarizes the TRPA's sources of funds for 1989-90. The agency proposes total expenditures of \$2.9 million in 1989-90. This amount is \$482,000, or 20 percent, more than total estimated current-year expenditures.

Table 1
Tahoe Regional Planning Agency
Sources of Funds
1989-90
(dollars in thousands)

<i>Funding Source</i>	<i>Amount</i>
California	\$1,366
Nevada	683
Local Governments	150
Interest Income	85
Grants and Contracts	401
Filing Fee Income	200
Fines and Forfeitures	15
Other	23
Total	\$2,923

Table 2 summarizes the proposed changes in California's support for the agency during 1989-90, by fund. Table 2 also indicates that the budget

does not provide any increase for ongoing TRPA staff costs or operating expenses. The Department of Finance indicates that this is due to its general policy of not including any discretionary cost-of-living adjustments in local assistance items.

Table 2
Tahoe Regional Planning Agency
Proposed Budget Changes, by Fund
1989-90
 (dollars in thousands)

	<i>General Fund</i>	<i>Environ- mental License Plate Fund</i>	<i>Federal 8(g) Fund</i>	<i>Totals</i>
1988-89 Expenditures (Revised)	\$777	\$410	—	\$1,187
<i>Workload Changes</i>				
Conversion of seasonal positions to permanent	—	—	\$60	60
<i>Program Changes</i>				
Floodplain mapping	—	60	—	60
Environmental threshold evaluation	—	33	—	33
Tahoe Environmental Geographic Information System database	—	26	—	26
Subtotals, program changes	(—)	(\$119)	(—)	(\$119)
1989-90 Expenditures (Proposed)	\$777	\$529	\$60	\$1,366
Change from 1988-89:				
Amount	—	\$119	\$60	\$179
Percent	—	29.0%	—	15.1%

ANALYSIS AND RECOMMENDATIONS

As shown in Table 2, the budget requests funds from the ELPF for three specific TRPA programs which are related to aspects of the revised Tahoe basin regional plan. The agency requests: (1) \$60,000 to begin mapping of floodplains and stream environment zones in the region; (2) \$33,000 to begin an evaluation of progress in meeting the environmental threshold standards required by the plan; and (3) an additional \$26,000 to continue the development of the Tahoe Environmental Geographic Information System (TEGIS) database. These requests appear reasonable, given the TRPA's responsibilities under the revised regional plan.

Agency Experiencing Delays in Receiving Funds

We recommend the adoption of Budget Bill language requiring that the agency receive all its appropriated funds within the time specified by federal and state law.

In recent years, funds appropriated by the Legislature for support of the TRPA have not been made available to the agency in a timely manner. The agency reports that it has had to wait for up to four months into the fiscal year before it received these funds. The interstate compact that created the TRPA, ratified in federal law as well as in California Government Code Section 66801, requires, however, that "money appropriated [to the TRPA] shall be paid within 30 days."

There appear to be two reasons for the delay. First, since the TRPA is not a California state agency and is budgeted as a local assistance item,

TAHOE REGIONAL PLANNING AGENCY—Continued

the Resources Agency processes the appropriation (after receiving an official request from the TRPA), so that the State Controller can release the funds to the TRPA. The Resources Agency has been slow in processing the request, resulting in the TRPA receiving the funds well past the first month of the fiscal year. Second, the 1987 and 1988 Budget Acts contained control language making California's share of TRPA funding contingent upon Nevada's provision of its matching share. Nevada has a long-standing budget restriction, however, that prohibits it from providing its share until the TRPA has received California's funds.

The 1989 Budget Bill addresses the problem by discontinuing the control language. However, funding delays will continue for the TRPA unless the Resources Agency begins to expedite the transfer of funds. Accordingly, we recommend the adoption of the following Budget Bill language (in Items 3110-101-001, 3110-101-140 and 3110-101-164) to ensure that appropriated funds are transmitted to the TRPA on time:

1. All funds appropriated in this item shall be provided to the Tahoe Regional Planning Agency within 30 days of the effective date of this act in accordance with Section 66801 of the Government Code.

Resources Agency
CALIFORNIA TAHOE CONSERVANCY

Items 3125 and 3125-490 from
the General Fund and various
funds

Budget p. R 2

Requested 1989-90	\$2,633,000
Estimated 1988-89	3,795,000
Actual 1987-88	3,093,000
Requested decrease (excluding amount for salary increases) \$1,162,000 (—31 percent)	
Total recommended reduction	None

1989-90 FUNDING BY ITEM AND SOURCE

Item—Description	Fund	Amount
3125-001-001—Support	General	\$799,000
3125-001-164—Support	Outer Continental Shelf Lands Act, 8(g) Revenue	51,000
3125-001-568—Support	Tahoe Conservancy Fund	56,000
3125-001-720—Support	Lake Tahoe Acquisitions (Bond)	727,000
3125-101-140—Erosion control grants	Environmental License Plate	1,000,000
3125-490—Reappropriation, local assistance	Environmental License Plate	(1,900,000)
3125-490—Reappropriation, local assistance	Federal Trust	(3,450,000)
Total		\$2,633,000

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 Acquisitions Bond Act of 1982 and acquiring environmentally sensitive and other undeveloped lands in the Lake Tahoe Basin. The conservancy also is authorized to use other available funds for (1) the acquisition of developed and partially developed lands and (2) the improvement and development of acquired lands for the purposes of recreation, protecting the natural environment and providing public access.

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

The conservancy's office is located in South Lake Tahoe. It has 20 personnel-years in the current year.

OVERVIEW OF THE BUDGET REQUEST

The conservancy's budget proposes expenditures totaling \$2.6 million for support and local assistance in 1989-90. This is a decrease of approximately \$1.2 million, or 31 percent, from estimated current-year expenditures. The decrease is due entirely to proposed adjustments to the conservancy's local assistance budget for soil erosion control grants. The Legislature, however, appropriated \$1 million for soil erosion control local assistance grants in separate legislation (Ch 1623/88—SB 4, Presley). These funds are available to the conservancy in the budget year. Thus, the *total* expenditures proposed for new erosion control grants in 1989-90 is comparable to estimated current-year expenditures.

Table 1 provides a summary of the conservancy's expenditures for support and local assistance from 1987-88 through 1989-90.

Table 1
California Tahoe Conservancy
Summary of Expenditures and Funding Sources
1987-88 through 1989-90
(dollars in thousands)

	<i>Personnel-Years</i>			<i>Expenditures</i>			<i>Percent</i>
	<i>Actual</i>	<i>Est.</i>	<i>Prop.</i>	<i>Actual</i>	<i>Est.</i>	<i>Prop.</i>	<i>Change</i>
<i>Program:</i>	<i>1987-88</i>	<i>1988-89</i>	<i>1989-90</i>	<i>1987-88</i>	<i>1988-89</i>	<i>1989-90</i>	<i>From 1988-89</i>
Support	15.5	20.0	20.0	\$1,093	\$1,476	\$1,633	10.6%
Erosion control grants	—	—	—	2,000	2,319	1,000	-56.9
Totals	15.5	20.0	20.0	\$3,093	\$3,795	\$2,633	-30.6%
Funding Sources							
Support:							
General Fund				\$694	\$774	\$799	3.2%
Outer Continental Shelf Lands Act, Sec. 8(g) Revenue Fund				—	—	51	— ^a
Tahoe Conservancy Fund				—	—	56	— ^a
Lake Tahoe Acquisitions Fund				314	657	727	10.7
Federal funds				85	45	—	-100.0
Local Assistance:							
Environmental License Plate Fund				1,500	1,319	1,000	-24.2
Federal funds				500	1,000	—	-100.0

^a Not a meaningful figure.

CALIFORNIA TAHOE CONSERVANCY—Continued

Table 2 summarizes the proposed changes in the conservancy's support budget for 1989-90. As Table 2 indicates, the budget proposes an increase totaling \$93,000 from the Tahoe Conservancy Fund (\$42,000) and federal funds (\$51,000) for property management activities in 1989-90. Money in the Tahoe Conservancy Fund comes from leases of conservancy lands to private entities; Government Code Section 66908.3 requires that 25 percent of any amount appropriated from the Tahoe Conservancy Fund must be transferred to the county in which the lands are located. As reflected in Table 2, the budget proposes to transfer \$14,000 to Placer County in 1989-90 pursuant to this provision.

Table 2
California Tahoe Conservancy
Proposed 1989-90 Budget Changes, by Fund
(dollars in thousands)

	<i>General Fund</i>	<i>Lake Tahoe Acquisi- tions Fund</i>	<i>Environ- mental License Plate Fund</i>	<i>Other Funds^a</i>	<i>Totals</i>
1988-89 Expenditures (Revised)	\$774	\$657	\$1,319	\$1,045	\$3,795
<i>Baseline Adjustments</i>					
Miscellaneous adjustments	25	70	—	—45	50
<i>Workload Changes</i>					
Increased property management activi- ties	—	—	—	93	93
Transfer to local agency	—	—	—	14	14
Subtotals, workload changes	(—)	(—)	(—)	(107)	(107)
<i>Program Changes</i>					
Local assistance grants for soil erosion control projects	—	—	—319	—1,000	—1,319
1989-90 Expenditures (Proposed)	\$799	\$727	\$1,000	\$107	\$2,633
Change from 1988-89:					
Amount	\$25	\$70	—\$319	—\$938	—\$1,162
Percent	3.2%	10.7%	—24.2%	—89.8%	—30.6%

^a Tahoe Conservancy Fund and federal funds.

ANALYSIS AND RECOMMENDATIONS*We recommend approval.*

The budget proposes only minor changes in support for the conservancy in 1989-90. In addition, its proposed local assistance budget (all of which is for erosion control grants) is comparable to prior-year appropriations when combined with funds already approved by the Legislature for this purpose.

The budget also proposes a total of five reappropriations, from the Environmental License Plate Fund (ELPF) and federal funds, to allow for completion of erosion control projects funded in prior years. The reappropriations appear reasonable, given that the very limited construction season in the Tahoe basin makes it difficult to complete projects during a single fiscal year. In recognition of this situation, the Budget Bill contains language making the *new* local assistance appropriation proposed from the ELPF available through 1992-93, to avoid the need for such reappropriations in future years.

Our review indicates that the budget requests for the conservancy in 1989-90 appear reasonable.

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 12

Requested 1989-90	\$313,000
Estimated 1988-89	303,000
Actual 1987-88	278,000
Requested increase \$10,000 (+3 percent)	
Total recommended reduction	None

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

*Analysis
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1. *Elimination Of Program.* We recommend the enactment of legislation to eliminate SAFE-BIDCO, because the program has not been successful in achieving its statutory objectives. 276

GENERAL PROGRAM STATEMENT

The State Assistance Fund for Energy, California Business and Industrial Development Corporation (SAFE-BIDCO) was created by Ch 819/80. SAFE-BIDCO is not a state agency. Rather, it is a nonprofit corporation which was established to make loans to small businesses involved in alternative energy production or energy conservation. In addition, Ch 1338/86 authorized SAFE-BIDCO to make nonenergy related loans to minority-owned small businesses and small business exporters.

Chapter 1338 also established within SAFE-BIDCO a program to provide low-interest loans to small businesses to finance the installation of energy conservation measures, electrical load management equipment or other devices to improve energy efficiency. The act continuously appropriates \$3 million from federal funds in the Petroleum Violation Escrow Account (PVEA) to implement the program. The program is scheduled to sunset on December 31, 1995.

OVERVIEW OF THE BUDGET REQUEST

The budget proposes an appropriation of \$313,000 from the State Energy Loan Fund (SELF) to SAFE-BIDCO in 1989-90. This is the maximum amount of loan repayments (principal and interest) that the corporation expects to deposit in the SELF during 1988-89 (repayments to the SELF during 1989-90 will not be made until June 30, 1990, and thus will not be available until 1990-91).

The Budget Bill requests an appropriation of \$313,000 from the SELF; however, the budget document shows expenditures of only \$189,000 in

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

1989-90. The difference—\$124,000—is the amount of principal from past loans that SAFE-BIDCO will repay the SELF in 1988-89. The budget document subtracts this amount from the total proposed expenditure of \$313,000 for a *net* expenditure of \$189,000.

ANALYSIS AND RECOMMENDATIONS

We recommend the enactment of legislation to eliminate SAFE-BIDCO because the program has not been successful in achieving its statutory objectives.

In our report entitled *An Evaluation of the State's Alternative Energy Finance Program (SAFE-BIDCO)* (report number 89-3), we recommend the enactment of legislation to eliminate SAFE-BIDCO. Our evaluation of SAFE-BIDCO's performance over the past seven years indicates that it has failed to achieve its statutory objectives regarding financial self-sufficiency and loan volume. Chart 1 displays SAFE-BIDCO's annual net operating income for the period 1981-82 through 1987-88. It shows that SAFE-BIDCO's expenses have exceeded its income in six of the seven years; only in 1984-85 did SAFE-BIDCO's income exceed expenses when it essentially broke even, earning a profit of \$1,172.

Chart 1

SAFE-BIDCO Net Annual Operating Income 1981-82 through 1987-88 (dollars in thousands)

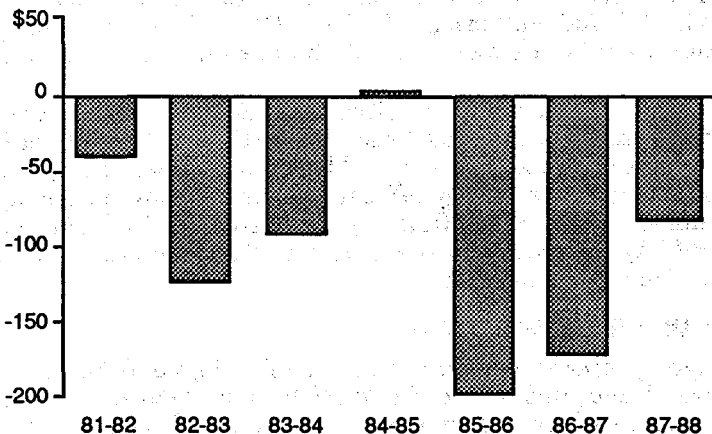


Chart 2 displays SAFE-BIDCO's lending volume for the period 1982-83 through 1987-88. (Although program operation began in 1981-82, no loans were actually approved until 1982-83.)

Chart 2

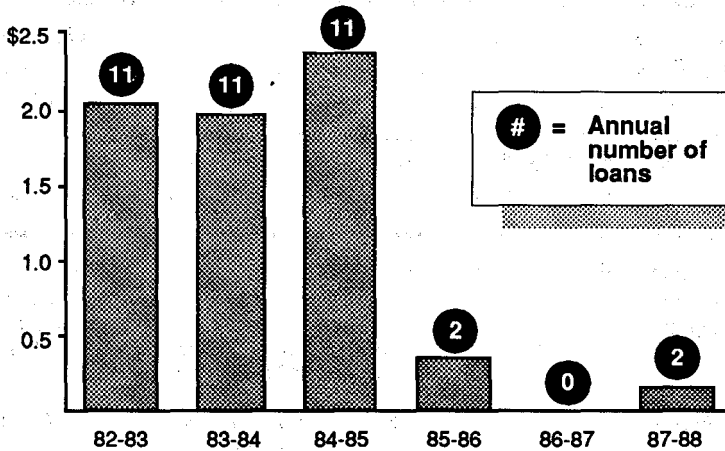
SAFE-BIDCO's Annual Loan Volume
1982-83 through 1987-88 (dollars in millions)

Chart 2 shows that SAFE-BIDCO has experienced a sharp decline in loan activity in recent years. SAFE-BIDCO approved 37 loans totaling \$6.9 million between 1982-83 and 1987-88. However, the bulk of these loans—33 of the 37—were approved during the three-year period between 1982-83 and 1984-85. Only four loans were approved during the three-year period between 1985-86 and 1987-88. These totals fall short of the loan volume goals set by SAFE-BIDCO's Board of Directors. For a more detailed analysis of the SAFE-BIDCO program, including a discussion of the factors contributing to its financial condition, please refer to the report mentioned above.

If the Legislature does not adopt our recommendation, the amount proposed in this budget item would be the appropriate level of funding to support SAFE-BIDCO's activities in 1989-90.

Resources Agency
CALIFORNIA CONSERVATION CORPS

Item 3340 from the General

Fund and other funds

Budget p. R 13

Requested 1989-90	\$55,901,000
Estimated 1988-89	55,083,000
Actual 1987-88	50,115,000
Requested increase (excluding amount for salary increases) \$818,000 (+1.5 percent)	
Total recommended reduction	\$520,000

1989-90 FUNDING BY ITEM AND SOURCE

Item—Description	Fund	Amount
3340-001-001—Support	General	\$40,502,000
3340-001-235—Support	Public Resources Account, Cigarette and Tobacco Products Surtax	210,000
3340-001-465—Support	Energy Resources Programs Account, General	5,769,000
Reimbursements	—	9,420,000
Total		\$55,901,000

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONSAnalysis
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1. *Heavy Equipment Purchases. (Reduce Item 3340-001-001 by \$377,000, 3340-001-465 by \$55,000, and reimbursements by \$88,000). Recommend deletion of \$520,000 for heavy equipment because the purchase has not been justified.* 280
2. *Scholarship/Bonus Program. Recommend that the CCC report at budget hearings on (1) why the program was changed without legislative review and (2) various options for revising the program.* 281

GENERAL PROGRAM STATEMENT

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

The CCC's headquarters is in Sacramento. It operates 17 residential base centers, 35 satellite centers, and a corpsmember training academy in Camp San Luis Obispo. The CCC also provides funding for 12 community conservation corps—five sponsored by local governments and seven sponsored by nonprofit organizations. The budget for the current year provides funding for a total of 2,100 corpsmember-years plus 423.7 supervisory and administrative personnel-years.

OVERVIEW OF THE BUDGET REQUEST

The budget proposes expenditures totaling \$55.9 million in 1989-90, an increase of \$818,000, or 1.5 percent, from total estimated current-year expenditures. Proposed expenditures in 1989-90 consist of (1) \$40.5 million from the General Fund, (2) \$5.8 million from the Energy Resources Programs Account (ERPA), (3) \$210,000 from the Public Resources Account in the Cigarette and Tobacco Products Surtax Fund, and (4) \$9.4 million in reimbursements, including payments from non-General Fund-supported departments for work done by the CCC. The \$818,000 increase in the corps' budget consists of: (1) \$242,000 to expand the Tahoe residential center and (2) \$576,000 in workload and administrative adjustments.

Table 1 provides a three-year summary of the corps' expenditures by program and funding source. Table 1 also shows that the corps' staff will increase by 6.2 personnel-years in the budget year. This staff increase is associated with the proposed Tahoe residential center expansion.

Table 1
California Conservation Corps
Budget Summary
1987-88 through 1989-90
(dollars in thousands)

Programs	Personnel-Years ^a			Expenditures			Percent Change From 1988-89
	Actual 1987-88	Est. 1988-89	Prop. 1989-90	Actual 1987-88	Est. 1988-89	Prop. 1989-90	
Orientation and training academy	30.9	29.0	29.0	\$3,487	\$3,806	\$3,810	0.1%
Base and fire centers	262.2	267.8	274.0	42,190	46,285	47,070	1.7
Energy program	18.6	19.5	19.5	2,560	2,797	2,878	2.9
Nonresidential program	—	—	—	1,878	2,195	2,143	-2.4
Administration (distributed to other programs)	97.0	107.4	107.4	(4,290)	(4,376)	(4,376)	—
Totals	408.7	423.7	429.9	\$50,115	\$55,083	\$55,901	1.5%
Funding Sources							
General Fund				\$35,719	\$40,856	\$40,502	-0.9%
Energy Resources Programs Account, General Fund				5,171	5,780	5,769	-0.2
Public Resources Account, Cigarette and Tobacco Products Surtax Fund				—	—	210	— ^b
Reimbursements				9,225	8,447	9,420	11.5

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

^b Not a meaningful figure.

Proposed Budget Changes for 1989-90

Table 2 summarizes the proposed budget changes for 1989-90 by funding source. The primary increases include (1) \$848,000 for the annualized cost of employee compensation and (2) \$242,000 to keep the Tahoe center open all year. These increases are partially offset by various administrative adjustments.

CALIFORNIA CONSERVATION CORPS—Continued

Table 2
California Conservation Corps
Proposed 1989-90 Budget Changes
By Funding Source
(dollars in thousands)

	<i>General Fund</i>	<i>Other^a</i>	<i>Totals</i>
1988-89 Expenditures (revised).....	\$40,856	\$14,227	\$55,083
Proposed Changes:			
<i>Administrative adjustments</i>			
Price increases.....	—	\$68	\$68
Employee compensation.....	\$646	202	848
Miscellaneous.....	-1000	790	-210
Pro rata.....	—	-130	-130
Subtotals, workload and administrative adjustments..	(-\$354)	(\$930)	(\$576)
<i>Program changes</i>			
Expand Tahoe Residential Center.....	—	\$242	\$242
1989-90 Expenditures (proposed)	\$40,502	\$15,399	\$55,901
Change from 1988-89:			
Amount.....	-\$354	\$1,172	\$818
Percent.....	-0.9%	8.2%	1.5%

^a Energy Resources Programs Account (ERPA); Public Resources Account, Cigarette and Tobacco Products Surtax Fund; and reimbursements.

ANALYSIS AND RECOMMENDATIONS**Heavy Equipment Purchases Unjustified**

We recommend a reduction of \$520,000 for heavy equipment purchases because (1) funding for equipment and materials related to the San Luis Obispo Academy construction was provided in the 1988 Budget Act and (2) future CCC projects do not require heavy equipment purchases. (Reduce Item 3340-001-001 by \$377,000, Item 3340-001-465 by \$55,000, and reimbursements by \$88,000.)

The budget requests \$520,000 from the General Fund, ERPA, and reimbursements to purchase four pieces of heavy equipment—a tractor bulldozer, tractor loader, tractor grader, and truck crane. The CCC plans to use this equipment to build its San Luis Obispo (SLO) Training Academy and for future construction projects.

Our analysis indicates that purchase of this heavy equipment is unnecessary for two reasons. First, the State Public Works Board (PWB) approved preliminary plans for the SLO Academy project in December 1987. Subsequently, the Legislature approved a total of \$1,599,000 from the Special Account for Capital Outlay for the first phase of construction of the SLO Training Academy in the 1988 Budget Act. Included in this amount was \$1,219,000 for building materials and equipment. These funds were provided to purchase or lease any equipment necessary for the SLO project. Moreover, the amount appropriated was based on the preliminary plans approved by the PWB which did not identify a need to purchase heavy equipment to complete the training facility. Second, projects planned at other corps facilities are not major enough to make purchase of this equipment cost-effective. In addition, the CCC's five-year capital outlay plan does not include any projects of a magnitude or

scope that warrants the purchase of heavy equipment. Accordingly, we recommend a reduction of \$520,000 requested for heavy equipment purchases.

Scholarship/Bonus Program Changed Without Legislative Review

We recommend that the California Conservation Corps (CCC) report at the time of budget hearings concerning its reasons for changing the scholarship/bonus program without legislative review. We further recommend that the CCC provide specific information at budget hearings to enable the Legislature to evaluate various options for revising the program.

The budget requests \$488,000 (\$354,000 from the General Fund, \$51,000 from ERPA, and \$83,000 from reimbursements) for the scholarship/bonus portion of the Corps' merit incentive program. The merit incentive program, begun in September 1986, is a two-step plan designed primarily to (1) enhance corpsmember work performance, (2) increase corpsmember retention and graduation rates, and (3) increase the percentage of graduating corpsmembers entering higher education. First, corpsmembers are eligible to receive a 10 percent merit salary adjustment when they complete four months in the CCC and achieve certain work performance standards. Second, graduating corpsmembers (those who complete one full year in the CCC) may receive bonus or scholarship money if they meet certain evaluation standards. As approved by the Legislature in the 1986 Budget Act, a qualifying corpsmember may choose between a \$1,000 scholarship or a \$500 cash bonus. Corpsmembers who do not choose the bonus have up to two years after graduation to apply for the scholarship.

In the *Analysis of the 1987-88 Budget Bill* (please see pp. 331-333), we advised the Legislature that the scholarship/bonus program had experienced delays in implementation. In response, the Legislature directed the CCC to report by December 15, 1987 on the program's status and cost. Last year, after reviewing the CCC's report, we advised the Legislature that the scholarship/bonus program had shown mixed results. (Please see the *Analysis of the 1988-89 Budget Bill*, pp. 301-302.) On the one hand, the program had little effect on corpsmember retention and graduation rates. On the other hand, it may have had a marked effect on the percentage of corpsmembers entering higher education. Our current review suggests there are a number of problems with the program.

Scholarship/Bonus Program Still Has Not Increased Retention. Prior to implementation of the merit incentive program, annual corpsmembers retention and graduation rates ranged between 15 percent and 20 percent. After two years of the scholarship/bonus program, graduation rates have not increased significantly.

In contrast, the program may have had a significant impact on the proportion of CCC graduates entering training programs, vocational schools, and colleges and universities. Although data is not available that compares the number of corpsmembers entering higher education before and after the start of the merit incentive program, a comparison of 1986-87 program results with 1987-88 data shows that the proportion of corpsmember graduates entering higher education increased from 30 percent to 45 percent. This increase may be due in part to the scholarship program.

Scholarship/Bonus Program Changed Significantly Without Legislative Review. In January 1989, without notifying the Legislature, the

CALIFORNIA CONSERVATION CORPS—Continued

CCC changed the program to eliminate the “either/or” choice between a scholarship and a bonus. Instead, eligible graduating corpsmembers automatically receive a \$400 bonus. In addition, those eligible graduating corpsmembers electing to enter school may apply for up to \$800 in scholarship money. According to the CCC, this change was made in response to a corpsmember survey showing that 45 percent of the graduates choosing the bonus intended eventually to return to school. Consequently, the CCC revised the program to allow graduates with an immediate need for bonus money to receive scholarship money as well. The CCC has provided no evidence that giving the bonus to all eligible graduates and reducing the amount of the scholarship will have a positive impact on either graduation rates or the proportion of graduates going on to further education.

Scholarship/Bonus Program Is Historically Overbudgeted. In the current year, the CCC reverted an unexpended balance of \$330,000 to the General Fund from its 1986-87 scholarship/bonus appropriation. It appears likely that the program is overbudgeted in the current and budget years as well. However, given the changes that the CCC has made recently to the program and the inconsistent data projections provided by the agency, we cannot determine with a reasonable degree of accuracy the extent of overfunding proposed for the budget year. Based on preliminary calculations, however, we estimate that the revised scholarship/bonus program may be overbudgeted by as much as \$200,000 in 1989-90.

In the past, the Legislature has chosen to fully fund both the scholarship and bonus portions of the merit incentive program. Our review, however, indicates that the bonus program has not been effective in increasing retention at the CCC. Our review further indicates that (1) the CCC has made significant changes in the program without the approval of the Legislature and (2) these changes are unlikely to further the program's goals.

Based on preliminary information provided by the CCC, we believe the Legislature should evaluate other options for revising the program that might better achieve the programmatic goals originally envisioned by the Legislature when the program was established. These options include (1) eliminating the bonus portion of the program or (2) increasing scholarship funding by reducing or eliminating the bonus. In order to facilitate legislative review, we recommend that the CCC report at budget hearings concerning the reasons for altering the scholarship/bonus program without legislative review. In addition, we recommend that the CCC provide information useful to the Legislature in evaluating various options to make the program achieve its goals. This information should include: (1) the projected number of eligible graduates in the current and budget years; (2) actual and projected program costs under the current program structure; (3) program savings if the bonus is eliminated or if the bonus is eliminated and the scholarship is increased; and (4) a methodology for estimating annual program costs based on the likely number of participants rather than the total pool of eligible graduates.

Resources Agency

ENERGY RESOURCES CONSERVATION AND DEVELOPMENT
COMMISSION

Item 3360 from various funds

Budget p. R 18

Requested 1989-90	\$88,169,000
Estimated 1988-89	112,913,000
Actual 1987-88	76,541,000
Requested decrease (excluding amount for salary increases) \$24,744,000 (-22 percent)	
Total recommended reduction from special funds for transfer to the General Fund	260,000

1989-90 FUNDING BY ITEM AND SOURCE

Item—Description	Fund	Amount
3360-001-033—Energy conservation loans to schools, hospitals and local governments	State Energy Conservation As- sistance Account, General	\$7,848,000
3360-001-044—Support	Motor Vehicle Account, State Transportation	99,000
3360-001-465—Support	Energy Resources Programs Account, General	33,224,000
3360-001-479—Energy technology grants and loans	Energy Technologies Research, Development, and Demon- stration Account, General	1,797,000
3360-001-853—Energy conservation assistance	Petroleum Violation Escrow Account (PVEA)	321,000
3360-001-854—Purchase school buses	Katz Schoolbus Fund, PVEA	2,000,000
3360-001-890—Support	Federal Trust	1,385,000
Ch 1436/88—Program administration	PVEA	117,000
3360-490—Program administration	Clean Fuels Account, PVEA	50,000
—Program administration	PVEA	90,000
—Energy conservation assistance	Local Jurisdiction Energy Assis- tance Account, PVEA	170,000
Public Resources Code Section 25402.1—Fee Revenue	Energy Resources Programs Account, General	300,000
Ch 1426/88—Purchase school buses	Katz Schoolbus Fund, PVEA	35,000,000
Ch 1426/88—Program Administration	PVEA	121,000
Ch 1429/88—Regional training centers	PVEA	324,000
Ch 1435/88—Alternative fuels demonstration programs	PVEA	765,000
Ch 1436/88—Energy conservation matching grants for schools and hospitals	PVEA	2,400,000
3360-101-497—Grants to local governments	Geothermal Resources Devel- opment Account, General	2,008,000
Reimbursements		150,000
Total		\$88,169,000

ENERGY RESOURCES CONSERVATION AND DEVELOPMENT COMMISSION—Continued

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

Analysis
page

1. *Optical Disk System. Reduce Item 3360-001-465 by \$260,000.*

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Recommend deletion of \$260,000 from ERPA requested to purchase an optical disk computer system because less costly options have not been adequately evaluated. We further recommend that these funds be reverted to the General Fund.

GENERAL PROGRAM STATEMENT

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

The commission has 411 personnel-years in the current year.

OVERVIEW OF THE BUDGET REQUEST

The budget proposes expenditures totaling \$88.2 million from various state funds, federal funds, Petroleum Violation Escrow Account (PVEA) funds and reimbursements for support of the Energy Commission in 1989-90. This is a net decrease of \$24.7 million, or 22 percent, below estimated current-year expenditures. Table 1 shows the Energy Commission's budget for the prior, current and budget years.

Table 1
California Energy Commission
Budget Summary
1987-88 through 1989-90
(dollars in thousands)

Program	Personnel-Years			Expenditures			Percent Change From 1988-89
	Actual	Est.	Prop.	Actual	Est.	Prop.	
	1987-88	1988-89	1989-90	1987-88	1988-89	1989-90	
Regulatory and planning.....	161.0	177.4	180.0	\$15,735	\$14,857	\$15,314	3.1%
Energy resources conservation ...	60.6	73.4	76.7	41,678	44,195	17,432	-60.6
Development.....	53.2	60.1	63.7	11,823	46,541	47,285	1.6
Policy, management and admin- istration	99.6	100.1	108.2	7,305	7,320	8,138	11.2
Totals	374.4	411.0	428.6	\$76,541	\$112,913	\$88,169	-21.9%
Funding Sources							
Energy Resources Programs Account (ERPA)				\$30,152	\$30,774	\$33,524	8.9%
Energy Conservation Assistance Account				—	5,266	7,848	49.0
Energy Technologies Research, Development and Demonstration Account				3,038	2,705	1,797	-33.6
Local Government Geothermal Resources Revolving Subaccount				2,282	4,731	2,008	-57.6
Petroleum Violation Escrow Account				24,326	26,371	4,138	-84.3
Katz Schoolbus Fund				—	22,000	37,000	68.2
Local Jurisdiction Energy Assistance Account				12,458	16,116	170	-98.9
Clean Fuels Account				1,896	2,979	50	-98.3
Motor Vehicle Account				91	93	99	6.5
Federal Trust Funds				2,116	1,728	1,385	-19.8
Reimbursements				182	150	150	—

Table 2
California Energy Commission
Proposed 1989-90 Budget Changes
(dollars in thousands)

	<i>Energy Resources Programs Account</i>	<i>Other Funds^a and Reim- bursements</i>	<i>Federal Funds</i>	<i>PVEA</i>	<i>Totals</i>
1988-89 Expenditures (Revised)	\$30,774	\$54,040	\$1,728	\$26,371	\$112,913
<i>Baseline Adjustments</i>					
Increase in operating expense	193	—	—	—	193
Increase in employee compensation	935	6	—	—	941
<i>Program Changes</i>					
<i>Regulatory and Planning Program</i>					
Increase in personal services budget	365	—	—	—	365
Decrease in permit assistance grants	—	-304	—	—	-304
<i>Conservation Program</i>					
Increase in personal services budget	170	—	—	—	170
Increase in energy conservation loans	—	2,487	—	—	2,487
Deletion of farm energy assistance	—	—	—	-4,776	-4,776
Deletion of local jurisdiction programs	—	-15,642	—	—	-15,642
Deletion of year-round schools air conditioning	—	—	—	-6,561	-6,561
Increase in schools and hospitals funding	—	95	17	800	912
Increase in regional training centers	—	—	—	40	40
Decrease in traffic management program	—	—	—	-3,550	-3,550
<i>Development Program</i>					
Increase in personal services budget	145	—	—	—	145
Decrease in energy technology assistance program	—	-908	—	—	-908
Deletion of small business energy assistance	—	—	—	-3,822	-3,822
Deletion of methanol demonstration program	—	-2,929	—	—	-2,929
Increase in school bus demonstration program	—	15,000	—	—	15,000
Deletion of energy technology export grant	—	—	-360	—	-360
Decrease in alternative fuels demonstration program	—	—	—	-3,585	-3,585
Technology export conference	50	—	—	—	50
Technology export assistance	250	—	—	—	250
Support for school bus demonstration	—	—	—	154	154
Decrease in geothermal grants	—	-2,723	—	—	-2,723
Pro rata adjustment	346	—	—	—	346
Decrease in new energy technology program	—	—	—	-1,000	-1,000
<i>Policy, Management and Administration</i>					
Increase in support staff	296	—	—	—	296
Increase in intervenor award program	—	—	—	67	67
1989-90 Expenditures (Proposed)	\$33,524	\$49,122	\$1,385	\$4,138	\$88,169
Change from 1988-89					
Amount	\$2,750	-\$4,918	-\$343	-\$22,233	-\$24,744
Percent	8.9%	-9.1%	-19.8%	-84.3%	-21.9%

^a Katz Schoolbus Fund; Energy Conservation Assistance Account; Energy Technologies Research, Development and Demonstration Account; Local Government Geothermal Resources Revolving Subaccount; Local Jurisdiction Energy Assistance Account; Clean Fuels Account; and Motor Vehicle Account.

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

The decrease in total budget-year expenditures is due primarily to a decline in federal PVEA expenditures. The commission's PVEA spending totaled \$67.5 million in 1988-89. This amount will decline to \$41.4 million in the budget year, a decrease of \$26.1 million (-39 percent).

Of the \$41.4 million in PVEA funds in the commission's 1989-90 budget, \$37.1 million will be used for the purchase of school buses in cooperation with the Departments of Education and California Highway Patrol and \$4.3 million will be used to fund various energy conservation and research grant and loan programs.

Table 2 summarizes the changes in the commission's proposed budget for 1989-90, by funding source.

ANALYSIS AND RECOMMENDATIONS**Optical Disk Proposal**

We recommend deletion of \$260,000 requested for an optical disk computer system because less costly options have not been adequately evaluated. We further recommend transfer of \$260,000 to the General Fund.

The budget requests \$260,000 for an optical disk computer system to automate the commission's docket files. The docket files contain all the material from the Energy Policy, Rulemaking, Power Plant Siting and Administrative proceedings held by the commission since its formation in 1975. Under current practice, these files are maintained manually and photocopied when the need arises.

At the time that this analysis was prepared, the commission had submitted neither an amendment to its Information Management Annual Plan (IMAP) nor a Feasibility Study Report (FSR) for the project to the Office of Information Technology (OIT). OIT's approval of the FSR is necessary prior to any expenditure of funds on the project. It is unclear whether OIT will have completed its review of the FSR prior to budget hearings.

Based on our review, as well as discussions with OIT, we question the merits of the proposal. The purchase of the optical disk system is by far the most expensive option available to the commission for automating its docket files. It is not clear that the commission's data storage needs require the advanced optical disk technology. In addition, the commission requests funding for equipment only; the proposal does not reflect the technical support which would be needed to implement and maintain the system. For these reasons, we recommend that this request be deleted from the budget. We further recommend that the \$260,000 be transferred from ERPA to the General Fund in order for the Legislature to fund its other priorities. This transfer is consistent with the budget

proposal to transfer \$5 million from the ERPA reserve to the General Fund.

Reappropriation (Item 3360-490)

We recommend approval.

In 1986, the Legislature enacted four measures which appropriated \$43 million dollars in PVEA funds to the commission to develop clean fuels and energy conservation grant and loan programs. The budget anticipates that \$310,000 of these funds will be available in 1989-90. However, the commission's statutory authority to spend these funds will expire on December 31, 1989. This item extends the commission's authority to spend these funds until June 30, 1992.

Our analysis indicates that the reappropriation item is appropriate because it would allow the Legislature to fund additional projects which are consistent with its priorities.

Reappropriation (Item 3360-491)

We recommend approval.

The Legislature approved \$545,000 in the 1987 Budget Act and \$2.4 million in the 1988 Budget Act to provide grants and loans to develop advanced energy technology projects. This item would extend the commission's authority to spend the 1987 appropriation until June 30, 1992 and the 1988 appropriation until June 30, 1994.

Our review indicates that the reappropriation item is appropriate because it would allow the Legislature to fund projects which are consistent with its priorities.

Resources Agency

CALIFORNIA WASTE MANAGEMENT BOARD

Item 3380 from the General
Fund

Budget p. R 34

Requested 1989-90	\$5,612,000
Estimated 1988-89	5,363,000
Actual 1987-88	5,335,000
Requested increase (excluding amount for salary increases) \$249,000 (+4.6 percent)	
Total recommended reduction	None
Recommended Reversion to General Fund	257,000

1989-90 FUNDING BY ITEM AND SOURCE

Item—Description	Fund	Amount
3380-001-001—Support	General	\$4,612,000
Ch 1319/87—Landfill cleanup and maintenance	Solid Waste Disposal Site Cleanup and Maintenance Account, General	1,000,000
Total		\$5,612,000

CALIFORNIA WASTE MANAGEMENT BOARD—Continued**SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS**Analysis
page

1. *Lassen College Trust Fund. Add Item 3380-495, to revert \$257,000 to the General Fund.* Recommend reversion of grant funds remaining in trust because the purposes of the trust cannot be accomplished. 289

GENERAL PROGRAM STATEMENT

The California Waste Management Board (CWMB) is responsible for ensuring that nonhazardous wastes are managed and disposed of in a safe, economical, and environmentally sound manner. The board's activities include:

- Setting minimum standards for handling solid waste and operating waste disposal facilities,
- Approving county solid waste management plans (CoSWMPs),
- Reviewing waste disposal facility operating permits issued by local enforcement agencies,
- Conducting oversight inspections of waste handling facilities,
- Approving landfill closure and postclosure maintenance plans, and
- Evaluating and promoting new waste management strategies.

Under existing law, local governments have the primary responsibility for solid waste management, enforcement, and associated planning. There are approximately 640 operating solid waste facilities and 120 local enforcement agencies (LEAs) in the state.

The board has 85.3 personnel-years in the current year.

OVERVIEW OF THE BUDGET REQUEST

The budget requests a total of \$5.6 million for support of the CWMB in 1989-90. This amount is \$249,000, or 4.6 percent, higher than estimated current-year expenditures. The increase is due entirely to proposed increases for employee compensation, including the costs of upgrading the board chairperson's position from half-time to full-time status as required by Ch 1334/88 (SB 2304, Dills).

The amount requested consists of \$4.6 million (82 percent) from the General Fund for the board's monitoring, enforcement, and resource conservation and recovery programs, and \$1 million (18 percent) from the Disposal Site Cleanup and Maintenance Account (DSCMA), in the General Fund, to administer the board's landfill hazard reduction programs. The DSCMA funding comes from a new fee imposed, as of January 1, 1989, on all waste disposed of in landfills.

Table 1 summarizes the staffing and expenditures for the board from 1987-88 through 1989-90. The table shows that the board experienced a significant increase in staffing in the current year (primarily for landfill hazard reduction programs). No significant growth, however, is proposed for 1989-90.

Table 1
California Waste Management Board
Budget Summary
1987-88 through 1989-90
(dollars in thousands)

Program	Personnel-Years			Expenditures			Percent Change From 1988-89
	Actual 1987-88	Est. 1988-89	Prop. 1989-90	Actual 1987-88	Est. 1988-89	Prop. 1989-90	
Monitoring and Enforcement.....	37.5	39.8	39.9	\$2,418	\$2,860	\$2,997	4.8%
Disposal Site Cleanup and Maintenance.....	2.7	18.4	18.4	185	963	1,000	3.8
Resource Conservation and Recovery.....	11.2	13.5	13.5	2,732	1,540	1,615	4.9
Administration.....	<u>15.2</u>	<u>13.6</u>	<u>13.8</u>	<u>(1,106)</u>	<u>(1,283)</u>	<u>(1,319)</u>	<u>2.8</u>
Totals.....	66.6	85.3	85.6	\$5,335	\$5,363	\$5,612	4.6%
Funding Sources							
General Fund.....				\$4,133	\$4,400	\$4,612	4.8%
Solid Waste Disposal Site Cleanup and Maintenance Account..				185	963	1,000	3.8%
Petroleum Violation Escrow Account.....				1,000	—	—	—
Reimbursements.....				17	—	—	—

ANALYSIS AND RECOMMENDATIONS

Our analysis indicates that the budget request for the CWMB in 1989-90 appears reasonable and is consistent with the board's statutory mandates.

Funds Languishing In Lassen College Trust

We recommend that the remaining principal and accrued interest (approximately \$257,000) in the Lassen College Trust Fund revert to the General Fund because the purposes of the trust cannot be accomplished (add Reversion Item 3380-495 in the amount of \$257,000).

In 1983, the CWMB made a \$570,000 grant from the board's General Fund appropriation to Lassen Community College to help the college develop a waste-to-energy training and research program. At the time, the college was planning to build a cogeneration facility designed to burn municipal garbage as fuel. The college intended to use the facility as the centerpiece of an electrical generator operator training program.

Of the total CWMB grant amount, \$200,000 was used to hire educational staff and to develop an educational films library. The remaining \$370,000 was deposited in a trust fund jointly administered by the Lassen Community College and the CWMB and, according to the trust fund agreement, was to be used to "enhance the monitoring, testing, and research capabilities of the Lassen College Cogeneration and Training Facility".

In December 1984, the cogeneration facility began operating. Soon thereafter, however, numerous problems—including an insufficient supply of garbage needed as fuel—forced the plant to shut down. In May 1985, the facility was closed after a major turbine failure.

According to the agreement between the CWMB and Lassen College, the trust fund terminates in the event that its purposes cannot be fulfilled. The board, however, has failed to take any action which would officially terminate the trust agreement, even though there is no plan to operate the facility. As a result, approximately \$257,000 remains in the trust fund from the original General Fund grant, but cannot be used for

CALIFORNIA WASTE MANAGEMENT BOARD—Continued

the purposes specified in the agreement. Consequently, we recommend that the remaining principal and any interest accruing to the fund revert to the General Fund (adopt Reversion Item 3380-495 in the amount of \$257,000).

**Resources Agency
AIR RESOURCES BOARD**

Item 3400 from the General
Fund and special funds

Budget p. R 38

Requested 1989-90	\$79,614,000
Estimated 1988-89	79,617,000
Actual 1987-88	69,075,000
Requested decrease (excluding amount for salary increases) \$3,000	
Total recommended reduction	929,000

1989-90 FUNDING BY ITEM AND SOURCE

Item—Description	Fund	Amount
3400-001-001—Support	General	\$2,864,000
3400-001-044—Support	Motor Vehicle Account, State Transportation	44,188,000
3400-001-115—Support	Air Pollution Control	6,568,000
3400-001-140—Support	Environmental License Plate	4,246,000
3400-001-164—Marine fisheries mitigation pro- gram	Outer Continental Shelf Lands Act, Section 8(g) Revenue	1,950,000
3400-001-420—Inspection and maintenance pro- gram	Vehicle Inspection and Repair	4,134,000
3400-001-434—Toxic hot spots	Air Toxics Inventory and As- sessment Account, General	1,364,000
3400-001-465—Cogeneration	Energy Resources Programs Account, General	196,000
3400-001-890—Support	Federal Trust	3,003,000
3400-101-044—Subventions to air pollution con- trol districts	Motor Vehicle Account, State Transportation	7,511,000
Reimbursements		3,590,000
Total		\$79,614,000

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

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page</i> |
| 1. Implementation of the California Clean Air Act (CCAA). Recommend that 19 of the 54 positions requested to implement Ch 1568/88 be designated as limited-term positions. | 294 |
| 2. Plan for the Implementation of the CCAA. Recommend the Legislature adopt supplemental report language requiring the ARB to develop a plan for the implementation of Ch 1568/88. | 296 |
| 3. <i>Overbudgeting of Scientific Research Contract Managers. Reduce Item 3400-001-001 by \$11,000, Item 3400-001-044 by</i> | 296 |

\$227,000, Item 3400-001-115 by \$37,000, Item 3400-001-140 by \$20,000 and reimbursements by \$74,000 and delete 5 personnel-years (PYs). Recommend reduction because the board proposes staffing in excess of what is needed to ensure competent management of research contracts.

4. *Heavy-Duty Vehicle Roadside Inspection Program. Reduce Item 3400-001-420 by \$560,000 and eliminate 9 PYs.* 298
Recommend reduction because program will not be fully implemented until April 1990.

GENERAL PROGRAM STATEMENT

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

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

The board has 672.2 personnel-years in the current year.

OVERVIEW OF THE BUDGET REQUEST

The budget proposes total expenditures of \$79.6 million for the Air Resources Board in 1989-90, virtually unchanged from current-year estimated expenditures. However, although the total proposed budget remains the same, there are significant changes in proposed expenditures for both the air pollution program and the Environmental Affairs Agency (which is included in the ARB budget). The budget proposes an \$11.1 million, or 17 percent, increase in the air pollution control program. This increase is attributable primarily to implementation of new legislation: (1) \$5.4 million to implement the California Clean Air Act (Ch 1568/88—AB 2595, Sher), (2) \$2 million to implement a heavy-duty diesel roadside inspection program (Ch 1544/88—SB 1997, Presley), and (3) \$3 million to implement the Atmospheric Acidity Protection Act (Ch 1518/88—AB 2930, Sher). This increase in the air pollution program is offset by the deletion of \$11.4 million in one-time current-year expenditures for the Environmental Affairs Agency.

Table 1 summarizes the staffing and expenditures for the board from 1987-88 through 1989-90. It shows that the budget proposes to increase the board's staff by 83.7 personnel-years. Table 2 shows the proposed budget changes, by funding source, for the board in 1989-90.

AIR RESOURCES BOARD—Continued

Table 1
Air Resources Board
(Including Environmental Affairs Agency)
Budget Summary
1987-88 through 1989-90
(dollars in thousands)

	<i>Personnel Years</i>			<i>Expenditures</i>			<i>Percent</i>
	<i>Actual</i>	<i>Est.</i>	<i>Prop.</i>	<i>Actual</i>	<i>Est.</i>	<i>Prop.</i>	<i>Change</i>
<i>Programs:</i>	<i>1987-88</i>	<i>1988-89</i>	<i>1989-90</i>	<i>1987-88</i>	<i>1988-89</i>	<i>1989-90</i>	<i>From</i>
							<i>1988-89</i>
Air Pollution Control Program							
Technical Support	92.2	105.8	127.0	\$10,067	\$11,302	\$13,777	21.9%
Stationary Source	78.8	107.5	102.3	13,072	15,843	15,819	-0.2
Mobile Source	126.9	133.4	174.8	12,267	11,840	16,394	38.5
Compliance	44.6	48.4	49.3	4,084	4,338	4,640	7.0
Monitoring and Laboratory	113.1	118.8	122.6	11,173	12,280	12,937	5.4
Research	43.8	42.9	49.1	11,556	8,917	12,349	38.5
General Support:							
Distributed to Programs	110.0	99.9	115.1	(7,413)	(7,390)	(8,675)	17.4
Undistributed	0.3	1.0	1.0	7	22	22	—
Environmental Affairs Program ..	9.6	14.5	14.7	6,849	15,075	3,676	-75.6
Totals	619.3	672.2	755.9	\$69,075	\$79,617	\$79,614	—
Funding Sources							
General Fund				\$5,864	\$2,813	\$2,864	1.8%
Motor Vehicle Account, State Transportation Fund				46,078	47,883	51,699	3.0
Air Pollution Control Fund				2,361	2,389	6,568	174.9
California Environmental License Plate Fund				1,510	4,134	4,246	2.7
Outer Continental Shelf Lands Act, Section 8(g) Revenue Fund				—	—	1,950	— ^a
Vehicle Inspection Fund				1,741	2,055	—	-100.0
Vehicle Inspection and Repair Fund				—	—	4,134	— ^a
Air Toxics Inventory and Assessment Account, General Fund ..				—	1,106	1,364	23.3
Energy Resources Programs Account, General Fund				184	188	196	4.3
Federal funds				2,258	5,032	3,003	-40.3
Offshore Energy Assistance Fund				4,456	2,491	—	-100.0
Local Coastal Program Improvement Fund				1,610	8,890	—	-100.0
Reimbursements				3,013	2,636	3,590	36.2

^a Not a meaningful figure.

Table 2
Air Resources Board
(Including Environmental Affairs Agency)
Proposed 1989-90 Budget Changes
(dollars in thousands)

	<i>General Fund</i>	<i>Motor Vehicle Account</i>	<i>Air Pollution Control Fund</i>	<i>Other Special Funds</i>	<i>Federal Funds and Reimbursements</i>	<i>Totals</i>
1988-89 Expenditures (Revised)	\$2,813	\$47,883	\$2,389	\$18,864	\$7,668	\$79,617
Workload and Administrative Adjustments:						
Deletion of one-time expenditures	12	66	-787	-11,396	-2,600	-14,705
Price adjustments and employee compensation	76	1,673	—	291	134	2,174
One-time program costs	-37	-238	-440	-50	-209	-974
Miscellaneous	—	72	42	201	—	315
Subtotals, workload and administrative adjustments	(\$51)	(\$1,573)	(\$-1,185)	(\$-10,954)	(\$-2,675)	(\$-13,190)

Program Changes:

Implementing Ch 1568/88—California Clean Air Act.....	—	—	\$5,364	—	—	\$5,364
Implementing Ch 1544/88—Heavy-duty diesel roadside inspection program	—	—	—	\$2,030	—	2,030
Implementing Ch 940/88—Analysis of motor vehicle-related toxins.....	—	\$70	—	—	—	70
Implementing Ch 1518/88—Atmospheric Acidity Protection Act.....	—	1,500	—	—	\$1,500	3,000
Develop a hazardous materials facility inventory.....	—	35	—	—	100	135
Establish asbestos inspector training program	—	82	—	—	—	82
Expand air toxic contaminant monitoring ..	—	517	—	—	—	517
Expand indoor toxic air contaminants program	—	39	—	—	—	39
Continue mitigation program for fisheries ..	—	—	—	1,950	—	1,950
Subtotals, program changes.....	(—)	(\$2,243)	(\$5,364)	(\$3,980)	(\$1,600)	(\$13,187)
1989-90 Expenditures (Proposed).....	\$2,864	\$51,699	\$6,568	\$11,890	\$6,593	\$79,614
Change from 1988-89:						
Amount	\$51	\$3,816	\$4,179	-\$6,974	-\$1,075	-\$3
Percent	1.8%	8.0%	174.9%	-37.0%	-14.0%	—

ANALYSIS AND RECOMMENDATIONS

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

A. IMPLEMENTATION OF THE CALIFORNIA CLEAN AIR ACT**Background**

Chapter 1568, Statutes of 1988 (AB 2595, Sher) establishes a stand-alone state air pollution control program aimed at attaining state standards for certain air pollutants (such as carbon monoxide and ozone), independent of the federal requirements with which the state has sought to comply in the past. Known as the California Clean Air Act (CCAA), Ch 1568/88 creates a planning process overseen by the ARB and provides both the ARB and air pollution control districts (APCDs) with increased regulatory authority. (For additional information on the CCAA, please see *The 1989-90 Budget: Perspectives and Issues*, "Implementing the California Clean Air Act.")

Under the act, the ARB must (1) oversee a new district planning process and (2) ensure that APCDs implement new regulatory requirements. Among other things, the ARB must:

- Determine whether APCDs are in compliance with state air quality standards;
- Provide APCDs with technical assistance in developing air quality attainment plans and attaining state air quality standards;
- Review and approve APCD air pollution control plans;
- Provide oversight and enforcement of APCDs to ensure they meet the requirements of the CCAA; and

AIR RESOURCES BOARD—Continued

- Adopt new, or update, statewide regulations on motor vehicle fuels, mobile sources of air pollution and consumer products.

Under the CCAA, districts that do not meet state standards for the specified air pollutants are required to develop air pollution attainment plans that will result in a minimum emissions reduction of 5 percent per year for each nonattainment pollutant. Towards this goal, the APCDs are granted additional authority to regulate mobile, indirect, and area sources of pollution.

Budget Proposal

The budget proposes \$5.4 million in additional fee revenue from the Air Pollution Control Fund to implement the CCAA in 1989-90. Of this amount, approximately \$3.3 million is for support of 54 new positions (51.2 personnel-years) and \$2.1 million is for support of contracts for various studies and analyses. To comply with the specific provisions of the CCAA, the ARB proposes a program comprised of the six separate components shown in Table 3.

Table 3
Air Resources Board
Resources to Implement the California Clean Air Act
1989-90
(dollars in thousands)

<i>Program Component</i>	<i>Support Positions</i>	<i>Support Costs</i>	<i>Contract Costs</i>	<i>Total Costs</i>
Liaison, review, and oversight	11	\$672	—	\$672
Mandated studies and technical assistance to districts	9	531	—	531
Transport analyses	10	651	\$600	1,251
Modeling analyses	8	462	450	912
New statewide controls	14	868	1,000	1,868
Report on other state standards	2	130	—	130
Totals	54	\$3,315	\$2,050	\$5,365 ^a

^a Does not match ARB's proposal due to rounding.

The six tasks represent the first phase of a longer implementation process. The focus of this initial phase is on (1) development of APCD attainment plans which must be submitted to the ARB by June 30, 1991, (2) the adoption of new statewide regulations for a number of previously unregulated air pollution sources, and (3) the collection and technical analysis of information needed to develop regulations, to determine the quantity of air pollution transported between districts, and to define the appropriate use of computer models in developing attainment strategies. In future phases, the emphasis will shift to enforcement of regulatory requirements and to implementation and revision of district attainment plans to ensure that the plans result in attainment of state air quality standards within the time frames specified in the act (a maximum of 20 years).

Some Positions Not Needed on An Ongoing Basis

We recommend that 19 of the 54 positions requested by the ARB to implement the requirements of the California Clean Air Act be

designated limited-term (four positions as one-year, five as two-year and 10 as three-year) because the activities proposed for these positions are not ongoing.

The ARB proposes that all positions requested for implementation of Chapter 1568 be added on a permanent, ongoing basis. Our analysis indicates, however, that in three of the program components—(1) mandated studies and technical assistance, (2) new statewide controls, and (3) report on other state standards—there are a significant number of positions that will not be needed on an ongoing basis and should be designated as limited-term.

Mandated Studies and Technical Assistance. ARB is requesting (1) three positions to develop guidelines to assist APCDs in developing attainment plans and (2) three positions to provide technical assistance to APCDs in developing emission inventories required for the plans. Given the deadlines specified in the act, planning guidelines will have to be completed during the budget year, and emission inventories will have to be completed by early 1991 in order for the APCDs to use them to develop air pollution attainment plans by June 30, 1991. Once completed, these attainment plans will have to be updated every three years. As a result, the guidelines need to be reviewed and modified only every few years as well. In addition, once emission inventories are completed, the districts should be able to update them on a routine basis when necessary.

Our review of the department's proposal indicates that the ARB's request for positions to establish initial guidelines and to help districts in developing emission inventories is reasonable, but substantially fewer resources will be needed on an *ongoing* basis. Specifically, our analysis indicates that (1) one permanent position is enough for review and update of the planning guidelines and (2) no continuing resources are needed at the state level to assist districts in updating their emission inventories. Accordingly, we recommend that two positions for developing planning guidelines be designated as one-year limited-term and that all three positions proposed for technical assistance to districts in developing emission inventories be designated as two-year limited-term.

New Statewide Controls. The board requests 14 positions to (1) develop regulations on durability standards for air pollution control equipment by November 31, 1989 (two positions), (2) develop regulations for mobile sources not previously regulated by the board, such as off-highway vehicles (OHVs), farm equipment, utility engines, locomotives, and marine vessels by November 31, 1991 (10 positions), and (3) develop and update emissions inventories for nonautomotive mobile sources of pollution (two positions). Our review of the requirements of the CCAA indicates that, once the deadlines have been met, there is no ongoing need for most of these positions. We recognize that regulation of OHVs and other nonautomotive mobile sources is a new responsibility for the board. As a result, the board may need some ongoing resources to update and review these regulations. However, the board has not provided information that would justify these positions beyond the November 1991 deadline. Accordingly, we recommend that the two positions requested to develop regulations by November 1989 be designated as one-year limited-term and the 10 positions requested to develop regulations by November 1991 be designated as three-year limited-term positions because the board must complete the development of standards and regulations by these dates.

AIR RESOURCES BOARD—Continued

Report on Other State Standards. The ARB requests two positions to prepare a report for the Legislature by January 1991 on the extent to which districts have attained compliance with other state air pollution standards not addressed by the CCAA. These standards include small particulate matter ("PM10"), visibility, lead, hydrogen sulfide and sulfates. The board has identified no ongoing need for these positions once the report is completed. Accordingly, we recommend that these two positions be designated as two-year limited-term.

Need for Better Workload Information

We recommend that the Legislature adopt supplemental report language requiring the ARB to (1) develop a plan for the implementation of the California Clean Air Act and (2) provide the Legislature with a report of workload data by January 15, 1990.

Because of the scope of regulation and the long time horizon addressed by the CCAA, the requirements of the act will be phased in over a number of years. The ARB's 1989-90 budget request represents the first phase of implementation at the state level and focuses on (1) assisting APCDs in developing attainment plans and (2) adopting new or updating current emissions regulations and standards for sources of pollution that the ARB has the authority to regulate. Future phases will include enforcement of these more stringent ARB regulations and oversight of air districts to ensure that the implementation of attainment plans results in the required reductions in air pollution emissions at the district level. At the current time, however, the ARB has not defined the full scope of these future phases, nor estimated its future resource needs.

Given this incremental approach to implementation, the resources needed by the ARB for CCAA-related activities are likely to change in the future. Resources needed to implement the first phase tasks—planning and regulation development—may have to be extended or expanded as tasks prove more complicated than originally anticipated. In addition, implementation of future phases—enforcement, oversight, and regulation review and revision—is likely to require additional or modified resources as the board completes some tasks and begins new ones.

However, because the board has not provided the Legislature a long-term implementation plan, the resources necessary for these future tasks is unclear, and the extent to which resources which are needed to meet initial deadlines can be redirected to these tasks at a later date is unknown. As a result, it is difficult to determine the extent to which the board will need more—or less—staff and contract resources related to the CCAA in the future. Accordingly, we recommend that supplemental report language be adopted requiring the ARB to develop a plan for implementation of Chapter 1568, as follows:

The board shall develop a plan that (1) documents staff time necessary to complete the tasks required by Ch 1568/88 and (2) identifies resources that can be redirected to future activities related to the act. In conjunction with the plan, the ARB shall provide a report of workload data to the fiscal committees and the Joint Legislative Budget Committee by January 15, 1990.

B. OTHER ISSUES**Overbudgeting of Research Contract Managers**

We recommend a reduction of \$369,000 and 5 PYs (\$11,000 from the General Fund, \$227,000 from the Motor Vehicle Account, \$20,000 from

Environmental License Plate Fund, \$37,000 from Air Pollution Control Fund, and \$74,000 from reimbursements) because these resources are not needed to manage scientific research contracts. (Reduce Item 3400-001-001 by \$11,000, Item 3400-001-044 by \$227,000, Item 3400-001-115 by \$37,000, Item 3400-001-140 by \$20,000 and reimbursements by \$74,000).

The ARB budget request includes 24.5 positions under the Research Division to manage \$7.8 million in scientific research contracts. The ARB's baseline research program within the division has 15.5 positions to manage \$5.0 million of research contracts. In addition, for 1989-90 the ARB is requesting (1) an additional seven positions to manage \$2.2 million in contracts to implement Ch 1518/88 (AB 2930, Sher), the Atmospheric Acidity Protection Act, and (2) two positions to manage \$600,000 in contracts to implement the California Clean Air Act (Ch 1568/88—AB 2595, Sher). Research contract managers generally are individuals with scientific or technical backgrounds, who (1) develop contract proposals and evaluate contract bids, (2) oversee the contractor's research to ensure that it addresses the concerns identified in the proposal, and (3) report contractor findings to the board.

Table 4
Air Resources Board
Management of Scientific Research Contracts
1985-86 through 1989-90
(dollars in thousands)

	Contract Funds	Number of Contract Managers		Number of Contract Managers in Excess of Standard
		Needed ^a	Actual	
1985-86.....	\$7,469	18.5	23.0	4.5
1986-87.....	7,670	19.0	24.0	5.0
1987-88.....	7,670	19.0	24.0	5.0
1988-89.....	4,910	12.5	15.5	3.0
1989-90.....	7,777	19.5	24.5	5.0

^a Based on \$400,000 workload estimate developed by the ARB.

According to the workload estimate developed by ARB's Research Division for the Department of Finance in March of 1985, on average each contract manager can oversee at least \$400,000 in contracts. Currently, however, ARB contract managers oversee significantly less than \$400,000 in contracts. Table 4 shows the staffing dedicated to contract management by the board each year since 1985-86. As the table demonstrates, greater resources have been targeted to contract management than are necessary. As a result, the board's 1989-90 funding proposal requests five PYs more than it needs in order to ensure that contract studies are executed competently and address the concerns specified in the contract proposal. Therefore, we recommend a reduction of (1) 2.7 PYs and \$184,000 (\$11,000 General Fund, \$20,000 Environmental License Plate Fund, and \$153,000 Motor Vehicle Account) from ARB's baseline research program, (2) 1.8 PYs and \$148,000 (\$74,000 Motor Vehicle Account and \$74,000 reimbursements) from the amount requested to implement the Atmospheric Acidity Protection Program, and (3) 0.5 PYs and \$37,000 from the Air Pollution Control Fund for implementing the California Clean Air Act.

AIR RESOURCES BOARD—Continued**Heavy-Duty Vehicle Roadside Inspection Program**

We recommend a reduction of \$560,000 from the Vehicle Inspection and Repair Fund and nine personnel-years because delays in implementation of the heavy-duty vehicle roadside inspection program reduce the need for funds in the budget year. (Reduce Item 3400-001-420 by \$560,000.)

The budget requests \$2 million from the Vehicle Inspection and Repair Fund and 35 positions (26.1 PYs) to implement Ch 1588/88 (SB 1997, Presley). Chapter 1588 requires the ARB, with the assistance of the California Highway Patrol (CHP), to establish a roadside inspection program for heavy-duty vehicles to check for excessive smoke and tampering with air pollution control equipment.

To comply with the requirements of Chapter 1588, the ARB proposes to establish a program consisting of (1) 12 two-member teams of ARB inspectors and (2) 11 positions for program administration in northern and southern California. Each inspection team will be assigned to different areas of the state to work with the CHP at roadside weigh stations. Specific inspection locations will be selected based on the volume of truck traffic. As part of the inspection, teams will (1) check trucks for tampering with air pollution control equipment and (2) perform both stationary and acceleration tests for excessive smoke emissions.

The board proposes to begin operations in southern California at the beginning of the budget year, and to begin inspections in northern California in January 1990. The ARB indicates, however, that full implementation of the program will not begin until *April 1990* because of preliminary work that must be completed prior to the issuance of citations. Currently, the ARB is developing a pilot project to determine reasonable citation standards for excessive smoke. When the pilot project is completed, regulations must be developed and adopted by the board before citations can be issued and the program can begin.

Our review of the board's proposal indicates that staff resources requested for the first year of the inspection program appear excessive. The board proposes to hire (1) 12 inspectors and eight administrative staff at the beginning of the budget year and (2) 12 inspectors and three administrative staff in January 1990. Our analysis indicates that only one of the staff proposed to be hired at the beginning of the budget year—a programmer for developing an on-line data system—is needed July 1. The remaining personnel could all be hired midyear—in January 1990, still giving the board sufficient time to (1) train staff and (2) have the inspection teams ready to go when the program is fully implemented in April. Accordingly, we recommend that 19 of the 20 positions proposed to be hired in July 1989 be hired in January 1990 instead, for a reduction of nine PYs and \$560,000 from the Vehicle Inspection and Repair Fund.

ENVIRONMENTAL AFFAIRS AGENCY

We recommend approval.

The budget requests \$3.7 million for support of the Environmental Affairs Agency (EAA) in 1989-90. Because the EAA is not authorized by statute, the agency's budget is included within the budget of the ARB. The requested amount primarily consists of \$418,000 from the General

Fund, \$281,000 from the Motor Vehicle Account (MVA), \$2 million from the state's share of federal oil revenues, and \$1 million in reimbursements. The 1989-90 budget represents a decrease of \$11.4 million, or 76 percent, from estimated current-year expenditures, primarily due to the one-time expenditure of \$11.4 million in 1988-89 for grants to local governments under the Coastal Resources and Energy Assistance Act (Ch 1390/85). Excluding this one-time expenditure, the budget request for the EAA represents a net decrease of \$43,000, or 1 percent, under estimated current-year expenditures.

The proposed budget includes (1) \$2 million for the second year of a three-year program to assist fisherman who have been adversely affected by offshore oil and gas development and (2) an increase of \$135,000 to implement a hazardous materials facility inventory.

Resources Agency
COLORADO RIVER BOARD

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

Budget p. R 50

Requested 1989-90	\$843,000
Estimated 1988-89	801,000
Actual 1987-88	655,000
Requested increase (excluding amount for salary increases) \$42,000 (+5.2 percent)	
Total recommended reduction	None

1989-90 FUNDING BY ITEM AND SOURCE

Item—Description	Fund	Amount
3460-001-001-Support	General	\$270,000
3460-001-140-Salinity Control	Environmental License Plate	11,000
Reimbursements	-	<u>562,000</u>
Total		<u>\$843,000</u>

GENERAL PROGRAM STATEMENT

The Colorado River Board is responsible for protecting the state's rights to water and power resources of the Colorado River. This is accomplished by (1) representing California's interests concerning allocation of Colorado River resources and (2) implementing programs to maximize the amount of Colorado River water available for use in California. These programs include developing conservation measures and water storage facilities, obtaining credits for return flows to the river, and other means of enhancing the efficient use of Colorado River water. The board's water development and management activities are carried out through technical investigations, negotiations with federal agencies and other states, litigation concerning operation of the river, and seeking congressional action concerning water development, water quality and program funding.

COLORADO RIVER BOARD—Continued

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

The six water agencies listed above support approximately two-thirds of the board's budget and the state provides the remainder. The board has 10.9 personnel-years in the current year.

ANALYSIS AND RECOMMENDATIONS*We recommend approval.*

The total 1989-90 budget proposed for the board from all sources is \$843,000, an increase of \$42,000, or 5.2 percent, over the current year. This increase primarily reflects salary and wage adjustments. The amount requested consists of \$281,000 (33 percent) in state funds and \$562,000 (67 percent) in reimbursements from the six water agencies. The state funds consist of \$270,000 from the General Fund and \$11,000 from the Environmental License Plate Fund.

Our analysis indicates that the budget request for the board is reasonable.

Resources Agency**DEPARTMENT OF CONSERVATION**

Item 3480 from the General
Fund and various funds

Budget p. R 51

Requested 1989-90	\$144,482,000
Estimated 1988-89	144,970,000
Actual 1987-88	102,925,000
Requested decrease (excluding amount for salary increases) \$488,000 (—0.3 percent)	
Total recommended reduction	None

1989-90 FUNDING BY ITEM AND SOURCE

Item—Description	Fund	Amount
3480-001-001—Support	General	\$14,604,000
3480-001-035—Surface Mining and Reclamation Program	Surface Mining and Reclamation Account, General	1,983,000
3480-001-042—Caltech Seismograph Network	State Highway Account, State Transportation	12,000
3480-001-133—Support	California Beverage Container Recycling	19,758,000
3480-001-141—Support	Soil Conservation	1,103,000

3480-001-144—Caltech Seismograph Network	California Water	12,000
3480-001-398—Support	Strong-Motion Instrumentation Program	3,105,000
3480-001-433—Support	Methane Gas Hazard Reduction	66,000
3480-001-890—Support	Federal Trust	624,000
3480-101-433—Local Assistance	Methane Gas Hazard Reduction	34,000
Ch 1290/86—Beverage Container Recycling	California Beverage Container Recycling	62,066,000
Ch 1290/86—Container Redemption Bonuses	Redemption Bonus Account	40,000,000
Ch 112/87—Seismic Hazard Mapping Program	Insurance Fund	50,000
Reimbursements	—	1,065,000
Total		\$144,482,000

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

*Analysis
page*

1. Metaphor Computer System. Recommend Budget Bill language authorizing purchase of metaphor computer system only after required approval by Office of Information Technology. 305

GENERAL PROGRAM STATEMENT

The Department of Conservation consists of four divisions:

- The Division of Mines and Geology functions as the state's geologic agent under the direction of the State Geologist.
- The Division of Oil and Gas regulates the development, operation, maintenance, and abandonment of oil, gas, and geothermal wells.
- The Division of Recycling administers the beverage container recycling program which promotes the recycling of soft drink and beer containers.
- The Division of Administration provides the policy direction and administrative services required to meet the department's program objectives. The open-space subvention program (Williamson Act), soils resource protection unit, and farmland mapping and monitoring program also are part of this division.

The department has 471.8 personnel-years in the current year.

OVERVIEW OF THE BUDGET REQUEST

The department proposes expenditures of \$144.5 million in 1989-90, a decrease of \$488,000, or 0.3 percent, from current-year estimated expenditures. The proposed decrease is the net result of (1) a \$500,000 unallocated General Fund reduction, (2) workload and administrative decreases totaling \$824,000, and (3) program increases totaling \$836,000.

Proposed expenditures in 1989-90 primarily consist of: (1) \$14 million from the General Fund, (2) \$7 million from various special funds, (3) \$122 million from beverage container recycling fees and (4) \$1 million in reimbursements.

Table 1 shows the department's expenditures and sources of funds for the past, current, and budget years. Table 1 also shows that the department's staff will increase by 19.7 personnel-years in 1989-90.

DEPARTMENT OF CONSERVATION—Continued

Table 1
Department of Conservation
Budget Summary
1987-88 through 1989-90
(dollars in thousands)

<i>Program</i>	<i>Personnel-Years</i>			<i>Expenditures</i>			<i>Percent</i>
	<i>Actual</i>	<i>Est.</i>	<i>Prop.</i>	<i>Actual</i>	<i>Est.</i>	<i>Prop.</i>	<i>Change</i>
	<i>1987-88</i>	<i>1988-89</i>	<i>1989-90</i>	<i>1987-88</i>	<i>1988-89</i>	<i>1989-90</i>	<i>From</i>
							<i>1988-89</i>
Geological hazards and mineral resources conservation	126.6	148.5	149.3	\$10,420	\$12,378	\$12,458	0.6%
Oil, gas, and geothermal protection	116.4	118.9	127.3	8,160	9,399	9,324	-0.8
Land resource protection	9.1	15.5	16.0	981	1,369	1,376	0.5
Container recycling and litter reduction	77.1	114.0	121.6	83,353	121,824	121,824	—
Administration (distributed to other programs)	63.7	74.9	77.3	(3,656) ^a	(4,852)	(5,156)	6.3
Subtotals	392.9	471.8	491.5	\$102,925	\$144,970	\$144,982	-0.001%
Unallocated reduction	—	—	—	—	—	-500	— ^b
Totals	—	—	—	\$102,925	\$144,970	\$144,482	-0.3%
Funding Sources							
<i>General Fund</i>				\$14,126	\$14,803	\$14,604	-1.3%
<i>California Beverage Container Recycling Fund</i>				47,528	81,824	81,824	—
<i>Redemption Bonus Account, California Beverage Container Recycling, Fund</i>				35,825	40,000	40,000	—
<i>Surface Mining and Reclamation</i>				1,613	1,926	1,983	3.0
<i>Strong-Motion Instrumentation Program Fund</i>				2,014	3,029	3,105	2.5
<i>Soil Conservation Fund</i>				—	1,055	1,103	4.5
<i>Farmlands Mapping Account</i>				678	—	—	—
<i>California Water Fund</i>				12	12	12	—
<i>State Highway Account, State Transportation Fund</i>				12	12	12	—
<i>Methane Gas Hazards Reduction Account</i>				—	400	100	-75.0
<i>Special Account for Capital Outlay</i>				—	350	—	—
<i>Insurance Fund</i>				—	100	50	-50.0
<i>Federal Trust Fund</i>				478	598	624	4.3
<i>Reimbursements</i>				639	861	1,065	23.7

^a Includes \$11,000 in undistributed administration.

^b Not a meaningful number.

Proposed Budget Changes

Table 2 summarizes, by funding source, the changes in the department's proposed 1989-90 budget. As the table shows, the primary increases include (1) \$821,000 for additional recycling program staff and (2) \$766,000 in annualized employee compensation costs. These increases are partially offset by various administrative adjustments and a \$500,000 unallocated General Fund reduction.

Table 2
Department of Conservation
Proposed 1989-90 Budget Changes
(dollars in thousands)

	General Fund	Recycling Funds		Other State Funds	Other Funds ^a	Totals
		Support	Redemption and Incentives			
1988-89 Expenditures (revised)	\$14,803	\$17,837	\$103,987	\$6,884	\$1,459	\$144,970
Proposed Changes:						
<i>Workload and administrative ad-</i>						
<i>justments</i>						
Reduction of one-time projects....	-747	-27	27	-716	-31	-1,494
Employee compensation.....	542	348	-348	187	37	766
Price increase	41	214	-214	36	11	88
Pro rata.....	—	467	-467	—	6	6
Miscellaneous.....	-5	—	—	-26	-159	-190
Subtotals, Workload and Adminis-						
trative Adjustments.....	(-\$169)	(\$1,002)	(-\$1,002)	(-\$519)	(-\$136)	(-\$824)
<i>Program changes</i>						
Recycling program increases	—	\$821	-\$821	—	—	—
Williamson Act Assessment study ..	\$50	—	—	—	—	\$50
Legal office increases	—	98	-98	—	—	—
Strong Motion Instrumentation						
Program.....	—	—	—	—	\$206	206
Environmental review increases ..	—	—	—	—	160	160
Oil and gas program increases	420	—	—	—	—	420
Subtotals, program changes.....	(\$470)	(\$919)	(-\$919)	(—)	(\$366)	(\$836)
Unallocated reduction	-\$500	—	—	—	—	-\$500
1989-90 Expenditures (Proposed)....	\$14,604	\$19,758	\$102,066	\$6,365	\$1,689	\$144,482
Change from 1988-89:						
Amount.....	-\$199	\$1,921	-\$1,921	-\$519	\$230	-\$488
Percent.....	-1.3%	10.7%	-1.8%	-7.5%	15.8%	0.3%

^a Federal funds and reimbursements.

ANALYSIS AND RECOMMENDATIONS

Status Report: Beverage Container Recycling Program

The state's Beverage Container Recycling Program (BCRP) began in October 1987 (Ch 1290/86—AB 2020, Margolin). Under the BCRP, beverage distributors pay the department a penny for each redeemable container they sell in the state. In turn, consumers may redeem soft drink and beer bottles and cans for the penny "redemption value." Beginning January 1990, consumers also will be able to redeem wine and distilled spirit cooler containers under the program. From the redemption values paid by beverage distributors, the department pays its administrative costs and the penny-per-container redemption value to recyclers. Any unclaimed recycling revenues (from containers that are not recycled at certified recycling centers) are used to fund redemption bonuses (60 percent), convenience incentive payments (25 percent), grants to community conservation corps and nonprofit organizations (10 percent), and grants to recycling centers for advertising and promotion (5 percent).

The Governor's 1989-90 Budget requests program expenditures of approximately \$122 million, including \$20 million for program support

DEPARTMENT OF CONSERVATION—Continued

costs, \$62 million for redemption values, and \$40 million for recycling incentive and grant payments. In the budget year, the department proposes to increase enforcement, audit, contract management, and other Division of Recycling (DOR) staff by a total of 18.9 personnel-years at a cost of \$821,000. Currently, funds to support these activities are continuously appropriated to the department. However, beginning in the budget-year, program administration costs are subject to legislative appropriation.

Recycling Rates. Current law establishes an overall beverage container recycling goal of 80 percent. If the recycling rate for a beverage container type (aluminum, glass, or plastic) does not reach 65 percent, its redemption value will increase to 2 cents in January 1990 and to 3 cents in January 1993. Before the BCRP started, recycling rates were slightly above 50 percent for aluminum; between 15 percent and 20 percent for glass; and roughly 2 percent for plastic. At the time of this analysis, recycling rates were 67 percent for aluminum, 48 percent for glass, and 4 percent for plastic. Consequently, if current recycling rates remain unchanged, the redemption values for glass and plastic will increase to 2 cents for each container in January 1990.

Recycling Centers. Current law requires at least one certified recycling center to be located within a half-mile radius of each supermarket—an area known as a convenience zone. Original department projections anticipated 2,700 recycling centers throughout the state. However, as a result of exemptions for certain areas, local zoning ordinances prohibiting recycling centers, and closures due to competition in areas with multiple recycling centers, the department now estimates that there are approximately 2,100 certified recycling centers in California.

Redemption Bonuses. Sixty percent of the unclaimed redemption value revenue is designated for redemption bonuses. A redemption bonus is an extra amount, on top of the penny redemption value, paid to consumers to encourage beverage container recycling. The department is required to determine the bonus amount on a quarterly basis. Currently, the redemption bonus amount is 0.3 cents per container. In the case of aluminum, for instance, this equates to an additional 8 cents for every 25 aluminum containers recycled.

Convenience Incentive Payments. Under current law, up to 25 percent of the unclaimed revenues are earmarked for convenience incentive payments (CIPs). A CIP is an amount paid monthly to recycling centers to ensure their economic viability. The CIP provides a financial bridge to recycling centers that currently may not have high beverage container recycling volumes. Only one certified recycling center in each convenience zone is eligible to receive a CIP. The actual CIP amount depends on the recycling center's financial need. According to the department, however, the maximum monthly CIP amount is \$1,145.

Grant and Contract Programs. Current law earmarks up to 10 percent of the unclaimed revenues for contracts with nonprofit organizations and grants to community conservation corps for litter abatement and recycling education activities. The remaining 5 percent of unclaimed revenues not needed for program administration is for recycling center advertising and promotion. Since its inception, the BCRP has awarded over \$10 million in grants and contracts.

Enforcement Problems. The main enforcement issue facing the BCRP involves the redemption of containers for which a redemption value was never paid by the distributors. Labeled out-of-state containers and beverages bottled in containers not subject to the BCRP pose the biggest problems. For example, many beverages are bottled out of state and brought into California for distribution. Although the containers are labeled, a redemption value often is not paid on these containers. Additionally, some beverages which are bottled in aluminum cans or plastic and glass bottles are not subject to the BCRP and therefore are not eligible for redemption values. However, since recycling centers generally weigh containers rather than check each one individually, often unredeemable containers are redeemed. In both these instances, the BCRP pays redemption values on containers for which distributors have not paid into the program.

It is difficult to determine how much revenue the department loses as a result of these unlawful redemptions. According to the department, at current recycling rates the redemption of these containers does not pose an enormous drain on BCRP funds. However, as recycling rates increase, redemption of these containers could substantially reduce the resources available for program administration, payment of redemption values, and the incentive and grant programs. To address these enforcement issues, the department proposes to increase both its enforcement and audit staffs. We have reviewed the request and found it to be reasonable.

Legislative Review Needed Before Computer System Purchase

We recommend that the Legislature adopt Budget Bill language which allows the department to purchase the metaphor computer system only after it receives approval from the Office of Information Technology for a Feasibility Study Report (FSR).

The budget proposes \$600,000 from the California Beverage Container Recycling Fund to purchase an advanced computer information system, commonly referred to as the "metaphor system." Potentially, this computer system will enable the department to retrieve and analyze beverage container sales and recycling information stored on various computer databases. According to the department, access to this information will enable it to analyze the data first-hand rather than rely on outside contractors. Currently, the department is engaged in a pilot project with the Stephen P. Teale Data Center to test and evaluate the metaphor system.

The department anticipates purchasing the system in the next fiscal year. The purchase, however, is contingent upon several factors. First, the system must be tested. At the time this analysis was prepared, the department and Teale Data Center had not begun the two- to three-month test period. Second, at the conclusion of the test period, a written evaluation of the system is required. This evaluation will determine whether or not the system is feasible. If the system is feasible, prior to purchase, the department must prepare and the Office of Information Technology (OIT) must approve a Feasibility Study Report (FSR). The FSR details any scope or cost changes associated with the purchase. If the system is not feasible, it will not be purchased and the department must look for other alternatives to resolve its data processing needs.

Our review indicates that it is premature to presume that the metaphor system will address the department's data processing needs because the

DEPARTMENT OF CONSERVATION—Continued

system still has not been tested. Consequently, we recommend that the Legislature adopt Budget Bill language which allows the department to purchase the computer system only after it receives approval from the Office of Information Technology for its FSR.

Resources Agency
DEPARTMENT OF FORESTRY AND FIRE PROTECTION

Item 3540 from the General
Fund and various funds

Budget p. R 67

Requested 1989-90	\$307,570,000
Estimated 1988-89	341,492,000
Actual 1987-88	323,758,000
Requested decrease (excluding amount for salary increases) \$33,922,000 (—9.9 percent)	
Total recommended reduction	1,490,000

1989-90 FUNDING BY ITEM AND SOURCE

Item—Description	Fund	Amount
3540-001-001—Primary Support	General	\$216,273,000
3540-001-140—Forest practices, vegetation management	Environmental License Plate	4,389,000
3540-001-235—Fire prevention and suppression, resource management	Public Resources Account, Cigarette and Tobacco Products Surtax	4,478,000
3540-001-300—Board of Forestry, registration of foresters	Professional Foresters Registration	121,000
3540-001-786—Administration of urban forestry projects	California Wildlife, Coastal and Park Land Conservation (Bond)	35,000
3540-001-890—Support	Federal Trust	5,188,000
3540-001-928—California forest improvement program	Forest Resources Improvement	3,508,000
3540-001-965—Administration of timber harvest tax	Timber Tax	24,000
3540-011-928—Transfer to General Fund for cost of state forest system	Forest Resources Improvement	(1,674,000)
3540-101-786—Local Assistance, urban forestry projects	California Wildlife, Coastal and Park Land Conservation (Bond)	633,000
Reimbursements	—	68,675,000
Transfer of expenditure authority from the Departments of Corrections and Youth Authority	—	4,246,000
Total		<u>\$307,570,000</u>

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS*Analysis
page*

1. *Vehicle Replacement Budget Overfunded. Reduce Item 3540-001-001 by \$1.4 million.* 311
Recommend reduction of \$1.4 million proposed for vehicle replacement because the department has overbudgeted for needed vehicle replacement.
2. *Walnut Trees Study. Reduce Item 3540-001-140 by \$90,000.* 311
Recommend reduction because the proposed study would provide no clear benefit to the people of California.

GENERAL PROGRAM STATEMENT

The California Department of Forestry and Fire Protection (CDFFP) provides fire protection services directly or through contracts for approximately 35.7 million acres of timber, range, and brushland owned privately or by the state or local agencies. In addition, CDFFP provides fire protection to approximately 3.7 million acres of federal land under contracts with the U.S. Forest Service, the Bureau of Land Management (BLM), and other federal agencies. It also contracts with 31 counties to provide local fire protection and paramedic services in areas for which local governments are responsible.

In addition, the department (1) operates 45 conservation camps, 5 training centers, and 2 fire centers, (2) regulates timber harvesting on private forestland, (3) provides advisory and financial assistance to landowners for 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 wildlands are state responsibility lands for fire protection purposes. The members of the board are appointed by the Governor. The department has 4,414.5 personnel-years in the current year.

OVERVIEW OF THE BUDGET REQUEST

The budget requests \$308 million from the General Fund, various other state funds, federal funds, and reimbursements for support of the CDFFP in 1989-90. This is a decrease of \$34 million, or 10 percent, from estimated current-year expenditures. Table 1 shows the department's expenditures and staffing levels by program, and funding sources for the past, current, and budget years.

A direct comparison of year-to-year expenditures in the budget is misleading because expenditures in 1988-89 include emergency and extended fire season costs that are \$49.4 million more than the amount regularly budgeted for a normal fire season and emergency fire suppression. This year's expenditures continued a two-year pattern of especially high emergency costs resulting from large fires occurring in late summer and early fall. Extraordinary emergency and fire season extension costs for 1988-89 consist of:

- \$17.6 million in authorized General Fund deficiencies.
- \$17.1 million allocated to CDFFP by the Director of Finance from the Disaster Response-Emergency Operations Account, General Fund.
- \$10 million allocated to CDFFP by the Director of Finance under the provisions of Section 12.30 of the 1988 Budget Act from the Special-Fund for Economic Uncertainties (the General Fund reserve).

DEPARTMENT OF FORESTRY AND FIRE PROTECTION—Continued

- \$3.7 million one-time augmentation for additional firefighters.
- \$1 million in additional expenditure authority for federal funds provided under Section 28 of the 1987 Budget Act to fight fires on federal lands.

Table 1
Department of Forestry and Fire Protection
Budget Summary
1987-88 through 1989-90
(dollars in thousands)

Program:	Personnel-Years			Expenditures			Percent Change From
	Actual 1987-88	Est. 1988-89	Prop. 1989-90	Actual 1987-88	Est. 1988-89	Prop. 1989-90	
Wildland fire protection and prevention—operations.....	2,141.8	2,141.4	1,976.7	\$133,740	\$141,911	\$144,365	1.7%
Cooperative fire protection	930.1	1,058.7	1,081.2	72,042	84,733	87,770	3.6
Conservation camps	525.7	628.8	633.1	39,525	47,459	48,459	2.1
Emergency fire suppression.....	— ^a	— ^a	— ^a	56,769	44,600	2,000	-95.5
Forest practice regulation.....	67.0	67.7	74.3	5,157	5,492	6,254	13.9
Other resource management programs	157.0	165.0	167.4	16,525	17,297	18,722	8.2
Administration (distributed to other programs).....	294.7	352.9	353.1	(21,690)	(22,811)	(23,706)	3.9
Totals	4,116.3	4,414.5	4,285.8	\$323,758	\$341,492	\$307,570	-9.9%
Funding Sources							
General Fund				\$219,561	\$252,569	\$216,273	-14.4%
Special Account For Capital Outlay				50	—	—	—
Environmental License Plate Fund				3,837	3,794	4,389	15.7
Public Resources Account, Cigarette and Tobacco Products Sur-tax Fund				—	—	4,478	— ^b
Professional Foresters Registration Fund.....				113	117	121	3.4
California Wildlife, Coastal and Park Land Conservation (Bond) Fund				—	—	668	— ^b
Forest Resources Improvement Fund				2,322	3,414	3,508	2.8
Renewable Resources Investment Fund				630	653	—	-100.0
Timber Tax Fund				23	24	24	—
Federal Funds				35,803	6,175	5,188	-16.0
Transfers from Departments of Corrections and the Youth Authority.....				9,000	8,387	4,246	-49.4
Reimbursements.....				52,419	66,359	68,675	3.5

^a Not applicable.

^b Not a meaningful figure.

Proposed 1989-90 expenditures do not include any similar funding, although the department traditionally incurs excess emergency firefighting costs each year which require a substantial deficiency appropriation or other increase in spending authority.

If the \$49.4 million of excess fire suppression funding is excluded from the 1988-89 budget, the department's total expenditures will *increase* in 1989-90 by \$15.5 million, or 5.3 percent. The components of this net increase consist of:

- \$5.6 million for program augmentations outside the department's base budget.
- \$11.4 million for administrative adjustments such as the full-year cost of 1988-89 salary increases.
- Deletions of additional one-time expenditures in 1988-89 totaling \$1.5 million.

Reimbursements and Transfers

The budget indicates that the department expects to receive a total of \$73 million in reimbursements and expenditure transfers during 1989-90. Table 2 lists the major sources of these reimbursements and transfers. The largest amount, \$64 million, comes from local governments that receive fire protection and paramedic services from CDFFP on a contractual basis.

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

The department also receives reimbursements from (1) various federal agencies for fire protection services on federal lands, (2) the California Department of Corrections (CDC) and the California Youth Authority (CYA) for equipment used at conservation camps, (3) the California Conservation Corps (CCC) for supervising and training corpsmembers in firefighting, and (4) CDFFP personnel for housing, food, and other services.

In addition, the budget proposes to authorize the Director of Finance to transfer \$4.2 million of General Fund expenditure authority from the CDC and the CYA to CDFFP for the support of newly activated conservation camps. Language authorizing these transfers appears in Items 5240-001-001 and 5460-001-001.

Table 2
Department of Forestry and Fire Protection
Budgeted Reimbursements and Transfers
1989-90
(dollars in thousands)

Program and Source of Funds

Local fire protection services	\$63,944
Transfer of expenditure authority from CDC and CYA	4,246
CCC supervision and training of corpsmembers	1,386
Camps construction	1,311
Employee payments for services	1,120
Miscellaneous	914
Total	\$72,921

Allocations for Emergency Fire Suppression

The budget proposes to authorize the Director of Finance to allocate up to \$10 million from the Special Fund for Economic Uncertainties (the General Fund reserve) to CDFFP for emergency fire suppression for 1989-90. Language authorizing this allocation appears in Section 12.30 of the Budget Bill. Over the past 12 years, CDFFP's annual expenditures for emergency fire suppression have averaged more than \$24 million. Thus,

DEPARTMENT OF FORESTRY AND FIRE PROTECTION—Continued

it appears likely that additional funds will be sought through the 1989-90 deficiency process, based on the actual costs incurred.

Proposed Budget Changes for 1989-90

Table 3 summarizes proposed budget changes for 1989-90, by funding source.

Table 3
Department of Forestry and Fire Protection
Proposed 1989-90 Budget Changes
(dollars in thousands)

	<i>General Fund</i>	<i>Special Funds</i>	<i>Federal Funds</i>	<i>Reimburs- ments and Transfers</i>	<i>Totals</i>
1988-89 Expenditures (Revised)	\$252,569	\$8,002	\$6,175	\$74,746	\$341,492
<i>Baseline Adjustments</i>					
Employee compensation increases and other administrative adjustments.....	7,946	151	—	2,668	10,765
Transfer operating costs of new con- servation camps to CDFFP	4,696	—	—	-4,279	417
Current-year excess emergency fire suppression costs	-41,600	—	-1,000	—	-42,600
Delete initial attack forces augmenta- tion	-3,706	—	—	—	-3,706
Delete extended fire season augmenta- tion	-3,111	—	—	—	-3,111
Delete other one-time costs	-541	—	—	-992	-1,533
Miscellaneous adjustments	20	287	13	-47	273
Subtotals, baseline adjustments	(-\$36,296)	(\$438)	(-\$987)	(-\$2,650)	(-\$39,495)
<i>Program Changes</i>					
Replace four helicopters with newer model	—	\$1,020	—	—	\$1,020
Air attack program operating costs	—	933	—	—	933
Increase Schedule A spending author- ity	—	—	—	\$825	825
Upgrade telecommunications equip- ment	—	820	—	—	820
Urban forestry grants	—	633	—	—	633
Increase timber harvest plan reviews ..	—	520	—	—	520
Expand mass media program	—	300	—	—	300
Turtle Bay Museum Park	—	175	—	—	175
Aircraft maintenance personnel	—	96	—	—	96
Environmental education program	—	90	—	—	90
Study walnut trees	—	90	—	—	90
Relocate aircraft support facility	—	36	—	—	36
Urban forestry program administra- tion	—	35	—	—	35
Subtotals, program changes	(—)	(\$4,748)	(—)	(\$825)	(\$5,573)
1989-90 Expenditures (Proposed)	\$216,273	\$13,188	\$5,188	\$72,921	\$307,570
Change from 1988-89					
Amount	-\$36,296	\$5,186	-\$987	-\$1,825	-\$33,922
Percent	-14.4%	64.8%	-16.0%	-2.4%	-9.9%

ANALYSIS AND RECOMMENDATIONS

We recommend approval of the proposed changes shown in Table 3 that are not discussed elsewhere in this analysis.

Vehicle Replacement Budget Overfunded

We recommend reducing the proposed appropriation for vehicle replacement by \$1.4 million (from \$7.6 million to \$6.2 million), because the lesser amount is sufficient for vehicle replacement in the budget year. (Reduce Item 3540-001-001 by \$1.4 million.)

The CDFFP has a fleet of more than 2,300 vehicles, including fire engines, pickup trucks, sedans, and numerous other support vehicles. Due to normal wear and tear, and because some vehicles are damaged beyond repair in accidents or become obsolete due to technological changes, a portion of the fleet must be replaced or substantially overhauled every year.

Last year, the Legislature approved a total of \$7.1 million for vehicle replacement and overhaul. This total appropriation included a \$1.2 million increase in the department's base budget for regular equipment replacement to partially address a backlog of excessively old vehicles that in previous years the department had failed to replace or overhaul in a timely manner. This year, the budget requests a total of \$7.6 million for vehicle replacement and overhaul. Our analysis indicates that this request is excessive for the following reasons:

Basic Replacement Budget is Excessive. The department proposes to allocate \$6.5 million for replacing and overhauling vehicles, including replacing those vehicles that the department previously identified as excessively old. However, based on the department's current vehicle inventory and on CDFFP's estimate of the average useful life and replacement cost of each vehicle type, we estimate that CDFFP needs only \$5.7 million (or \$800,000 less than the budget request) annually for regular vehicle replacement. Furthermore, the department received funds in the current year to replace a portion of the backlog of excessively old vehicles. Our analysis indicates, however, that the department is replacing vehicles that are still relatively new with these funds. As a result, we see no justification for providing funds above those needed to meet regularly scheduled replacement needs.

Converting Fire Engines From Gas to Diesel Fuel Is Unnecessary. The budget requests \$600,000 to convert 20 of CDFFP's fire engines so that they operate on diesel fuel rather than gasoline. The department indicates that these conversions are necessary to comply with state air pollution control requirements promulgated by the Air Resources Board (ARB). However, ARB staff indicate that they are unaware of requirements that would necessitate converting CDFFP's engines from gas to diesel power.

Consequently, we recommend that the budget request for vehicle replacement be reduced by a total of \$1.4 million (from \$7.6 million to \$6.2 million) to eliminate (1) \$800,000 overbudgeted for vehicle replacement and overhauls and (2) \$600,000 for engine conversions.

Rare Genes Revisited

We recommend a reduction of \$90,000 from the Environmental License Plate Fund (ELPF) to study California walnut trees, because the proposed study would provide no clear benefit to the people of California. (Reduce Item 3540-001-140 by \$90,000.)

Last year the budget proposed spending \$99,000 from the ELPF to collect seeds from six species of conifer trees and to conduct testing to determine if the California populations of these trees are genetically

DEPARTMENT OF FORESTRY AND FIRE PROTECTION—Continued

distinct from populations of the same species existing elsewhere. The Legislature deleted funding for the proposal because the trees the department intended to study are not rare and because the proposed study would have provided no clear benefit to the people of California.

This year, the budget requests \$90,000 to study California walnut trees to determine (1) if walnut trees found in northern California are genetically distinct from walnut trees found in southern California and (2) the extent of genetic "contamination" resulting from cross-pollination between commercial English walnut trees and native walnut trees.

The department indicates that native walnut trees are found in both northern and southern California. It is not known, however, if the walnut trees found in northern California, which are relatively rare, are genetically distinct from their counterparts in the south, which are comparatively common. The department indicates that if the walnut trees in northern California are genetically distinct, they may be eligible for listing as a threatened or endangered species. The department, however, has not identified any clear benefit of designating the northern California walnuts as rare, since even trained botanists cannot determine any significant difference between the northern and southern varieties without genetically testing them. The department proposes to spend approximately \$65,000 for this portion of the study.

The department proposes to use the remaining \$25,000 to determine the extent to which nonnative English walnut trees have genetically "contaminated" northern California walnut trees. In the past, northern California walnuts have been used as ornamental trees and as rootstock for grafting commercial English walnut trees. This has allowed the northern California walnut to become established in sites where it did not naturally occur. In some cases, these sites are near stands of nonnative English walnut trees. According to the department, the close proximity of native and nonnative trees may result in cross pollination that "contaminates the native gene pools." The proposed study would determine the extent of this "contamination." The department, however, has not identified any negative consequences associated with this "contamination."

Existing law requires money from the ELPF to be used only for projects "which have a clearly defined benefit to the people of the State of California." The department has not identified any such benefit that would result from conducting either portion of this project. Accordingly, we recommend deletion of the \$90,000 requested from the ELPF for both the genetic comparison of northern and southern California walnut trees, and the study of genetic contamination of northern California walnut trees.

Resources Agency
STATE LANDS COMMISSION

Item 3560 from the General
 Fund and other funds

Budget p. R 78

Requested 1989-90	\$18,835,000
Estimated 1988-89	16,376,000
Actual 1987-88	15,563,000
Requested increase (excluding amounts for salary increases) \$2,459,000 (+15 percent)	
Total recommended reduction	None

1989-90 FUNDING BY ITEM AND SOURCE

Item—Description	Fund	Amount
3560-001-001—Support	General	\$14,805,000
3560-001-164—Support	Outer Continental Shelf Lands Act 8(g) Revenue	100,000
Reimbursements	—	3,930,000
Total	—	\$18,835,000

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

*Analysis
page*

1. ARCO Lawsuit. Recommend that staff counsels for the State Lands Commission and the Department of Justice report at budget hearings on their ability to defend the state against the potential liability arising from a claim filed by the Atlantic Richfield Company against the State Lands Commission, et al., within their existing resources.

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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 tideland trusts granted by the Legislature to local governments.

The commission has 235.5 personnel-years in the current year.

STATE LANDS COMMISSION—Continued

OVERVIEW OF THE BUDGET REQUEST

The budget proposes expenditures of \$18.8 million for support of the State Lands Commission in 1989-90. This is an increase of roughly \$2.5 million, or 15 percent, over estimated current-year expenditures. The increase is the net result of (1) program increases totaling \$2.6 million and (2) workload and administrative reductions totaling \$141,000.

Proposed expenditures include \$14.8 million from the General Fund, \$100,000 from the Outer Continental Shelf Lands Act 8(g) Revenue Fund, and \$3.9 million in reimbursements. The reimbursements primarily consist of three proposals (1) \$2 million for the state's share of the clean-up at the Selby toxic site, (2) \$600,000 for offshore oil hazard removal associated with the Local Marine Fisheries Program, and (3) \$390,000 for environmental impact reviews.

The proposed General Fund appropriation of \$14.8 million will not have any *net* effect on the General Fund. This is because, under existing law and provisions in the Budget Bill, the entire General Fund amount appropriated to the commission will be offset by the transfer to the General Fund of tidelands oil revenues (\$12.4 million) and state school lands revenue (\$2.4 million). The commission's support, therefore, actually is at the expense of the Special Account for Capital Outlay and the State Teacher's Retirement Fund, which otherwise would receive these revenues. The transfer from tidelands oil revenues covers the cost of overseeing oil and gas operations on state lands and the commission's general activities. The transfer from school lands revenues covers the cost of managing those lands.

Table 1 summarizes expenditures and sources of funds for the State Lands Commission from 1987-88 through 1989-90. The table shows that commission staff will increase by 0.9 personnel-years in the budget-year.

Table 1
State Lands Commission
Budget Summary
1987-88 through 1989-90
(dollars in thousands)

Program	Personnel-Years			Expenditures			Percent Change From 1988-89
	Actual 1987-88	Est. 1988-89	Prop. 1989-90	Actual 1987-88	Est. 1988-89	Prop. 1989-90	
Extractive development							
State leases.....	58.7	56.3	57.2	\$5,234	\$5,060	\$5,971	18.0%
Long Beach operations.....	37.5	39.1	39.1	3,590	3,626	3,755	3.6
Land management and conserva- tion	88.4	91.3	91.3	6,739	7,690	9,109	18.5
Administration (distributed to other programs).....	46.8	48.8	48.8	(2,925)	(2,989)	(3,070)	2.7
Totals	231.4	235.5	236.4	\$15,563	\$16,376	\$18,835	15.0%
Funding Sources							
General Fund				\$13,847	\$13,691	\$14,805	8.1%
Environmental License Plate Fund				—	250	—	100.0
Outer Continental Shelf Lands Act 8(g) Revenue Fund				—	—	100	— ^a
Federal Trust Fund				147	100	—	100.0
Reimbursements				1,569	2,335	3,930	68.3%

^a Not a meaningful number

Table 2 summarizes the commission's proposed budget changes for 1989-90, by funding source.

Table 2
State Lands Commission
Proposed 1989-90 Budget Changes
(dollars in thousands)

	<i>General Fund</i>	<i>Other^a</i>	<i>Totals</i>
1988-89 Expenditures (revised).....	\$13,691	\$2,685	\$16,376
Proposed Changes:			
<i>Workload and administrative adjustments</i>			
Deletion of one-time projects.....	-\$59	-\$1,716	-\$1,775
Salary increases/miscellaneous.....	828	-22	806
Environmental impact reviews.....	—	383	383
Geysers geothermal development.....	345	—	345
8(g) data acquisition and analysis.....	—	100	100
Subtotals, workload and administrative changes.....	(\$1,114)	(-\$1,255)	(-\$141)
<i>Program changes</i>			
Fisheries program, hazard removal.....	—	\$600	\$600
Selby toxic clean-up.....	—	2,000	2,000
Subtotals, program changes.....	(—)	(\$2,600)	(\$2,600)
1989-90 Expenditures (Proposed).....	\$14,805	\$4,030	\$18,835
Change from 1988-89:			
Amount.....	\$1,114	\$1,345	\$2,459
Percent.....	8.1%	50.1%	15.0%

^a Reimbursements and Outer Continental Shelf Lands Act 8(g)
 Revenue Fund.

ANALYSIS AND RECOMMENDATIONS

Tidelands Oil Revenues

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

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

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

Revenues Estimate for 1988-89 and 1989-90. The budget estimates that the state will receive \$80.5 million in tidelands oil and gas revenue in the current year and \$50 million in 1989-90. The commission indicates that these estimates are based on the price of oil in August 1988, \$11 per barrel at Long Beach and \$9 per barrel at Santa Barbara, respectively. Since

STATE LANDS COMMISSION—Continued

August, however, oil prices have fluctuated considerably. The commission indicates that it will update its tidelands oil revenue estimates prior to budget hearings.

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

School Lands Revenues

The commission estimates that it will receive about \$5.9 million in geothermal revenues and land rentals in 1989-90 from "state school lands"—lands that were granted by the federal government to the state in 1853 to help support public education. Essentially, all revenues from school lands, net the commission's cost to manage the lands, are deposited into the State Teachers' Retirement Fund (STRF). The budget for 1989-90 proposes to deposit \$2.4 million of this revenue in the General Fund to cover the commission's cost of managing the state school lands. The remaining \$3.5 million will be deposited in the STRF.

Funding Not Provided To Defend ARCO Lawsuit

We recommend that the staff counsels for the State Lands Commission and the Department of Justice report to the Legislature at budget hearings on their ability to defend the state against the potential liability arising from a claim filed by the Atlantic Richfield Company against the State Lands Commission, et al., within their existing resources.

On May 27, 1987, the State Lands Commission denied the Atlantic Richfield Company's (ARCO's) development plan for five oil and gas leases located off the Santa Barbara coast at Coal Oil Point (near the University of Santa Barbara campus). The commission's denial was based primarily on three issues: (1) the "aesthetic degradation" of the area near the leases (2) the threat posed by a major oil-spill, and (3) the protection of unique marine habitat for environmental, commercial fishing, and scientific purposes. The commission's denial, however, was not unequivocal. It invited ARCO to submit another plan using alternative development techniques such as fewer platforms and slant drilling, that would correct for the adverse environmental impacts it raised in its denial. In conjunction with the denial, the commission directed its staff to conduct a comprehensive study of the overall environmental effects of oil and gas development in *all* federal and state waters off the California coast.

In response, on September 30, 1987, the Atlantic Richfield Company filed a multi-million dollar lawsuit against the state, which seeks to compel the commission to approve development of the five leases. ARCO's claim alleges damages of:

- \$793 million, the amount ARCO estimates to be the present worth of its leasehold interests, if the development were permanently blocked; and
- \$2.7 million, increasing at the rate of roughly \$55,000 per day, for alleged damages resulting from the delay in the development of the five leases.

Studies have estimated that between 200 to 300 million barrels of oil and 200 to 500 billion cubic feet of natural gas can be recovered from these five leases. The environmental impact report for ARCO's develop-

ment project estimates that state royalties from these leases would be about \$175 million per year at peak production with the price of oil at \$12 per barrel (at current oil prices—approximately \$10 per barrel—state royalties would total roughly \$150 million at peak production).

Commission and Attorney General Redirect Staff Resources. The Legislature provided the commission with \$181,000 and the Department of Justice with \$2.3 million from the General Fund in the 1988 Budget Bill for preparation of the commission's defense in the ARCO case. This funding, however, was vetoed by the Governor and no funding currently is proposed for support of the case in 1989-90. Consequently, in order to begin case defense preparation both the State Lands Commission and the Department of Justice have redirected existing staff resources for the 20 months since the suit was filed.

According to commission staff, it is likely that the initial hearing on the ARCO case will take place in early autumn 1989. The outcome of this initial hearing will determine when the full trial will begin. Staff at the commission and at the Department of Justice indicate that the state is not prepared to defend the ARCO lawsuit at this time.

Recommendation. The pending ARCO lawsuit raises complex legal issues and represents a potentially major state fiscal liability. The ARCO case centers around ARCO's contention that, under the lease agreements, the SLC must allow it to produce the oil and gas it has found in a technically and economically feasible manner. If the commission does not allow development, then this denial constitutes a taking of ARCO's leasehold interests which would require the state to pay damages.

Our analysis indicates that the state should prepare adequately for its defense in the ARCO lawsuit because of the complex legal issues raised by the suit and the potentially major state fiscal liability it represents. Accordingly, we recommend that the staff counsels for the State Lands Commission and the Department of Justice report at budget hearings on their ability to defend the state against the potential liability arising from a claim filed by the Atlantic Richfield Company against the State Lands Commission, et al., within their existing resources.

Resources Agency SEISMIC SAFETY COMMISSION

Item 3580 from the General
Fund

Budget p. R 85

Requested 1989-90	\$953,000
Estimated 1988-89	1,024,000
Actual 1987-88	834,000
Requested decrease (excluding amount for salary increases) \$71,000 (-6.9 percent)	
Total recommended reduction.....	None

GENERAL PROGRAM STATEMENT

The Seismic Safety Commission was established to improve earthquake safety in California. It does this by providing a consistent policy frame-

SEISMIC SAFETY COMMISSION—Continued

work for earthquake-related programs and coordinating the administration of these programs throughout state government. The 17-member commission performs policy studies, reviews programs and conducts hearings on earthquake safety. The commission advises the Legislature and the Governor on legislative proposals, the state budget and grant proposals related to seismic safety.

The commission has 12 personnel-years in the current year.

ANALYSIS AND RECOMMENDATIONS*We recommend approval.*

The budget requests \$953,000 from the General Fund for support of the Seismic Safety Commission in 1989-90. This amount is \$71,000, or 6.9 percent, less than estimated current-year expenditures. This decrease is due to a budgeting convention under which remaining funds appropriated by Ch 1492/86 for initial investigative work following earthquakes (\$79,000) are shown as fully spent in the current year. Commission staff indicate that it is likely that up to \$70,000 of this amount will be carried over into the budget year.

The proposed budget is consistent with the commission's mission and appears reasonable.

Resources Agency
DEPARTMENT OF FISH AND GAME

Item 3600 from the General
Fund and various special
funds

Budget p. R 87

Requested 1989-90	\$135,748,000
Estimated 1988-89	120,477,000
Actual 1987-88	103,320,000
Requested increase (excluding amount for salary increases) \$15,271,000 (+13 percent)	
Total recommended reduction	2,416,000
Recommendation pending	20,524,000

1989-90 FUNDING BY ITEM AND SOURCE

Item—Description	Fund	Amount
3600-001-001—Support, nongame species and environmental protection programs, maintenance and operation of ecological reserves and wildlife areas	General	\$8,177,000
3600-011-001—Transfer to the Fish and Game Preservation Fund for cost of free fishing licenses	General	(14,000)

3600-001-140—Support, nongame species and environmental protection programs, maintenance and operation of ecological reserves and wildlife areas	Environmental License Plate	11,092,000
3600-001-200—Support	Fish and Game Preservation	76,999,000
3600-031-200—Shellfish monitoring program	Fish and Game Preservation	203,000
3600-001-235—Support, protection, restoration, and enhancement of fish, waterfowl and wildlife habitat	Public Resources Account, Cigarette and Tobacco Products Surtax	5,990,000
3600-011-235—Transfer to California Waterfowl Preservation Account for waterfowl preservation programs	Public Resources Account, Cigarette and Tobacco Products Surtax	(1,000,000)
3600-001-786—Support, fisheries restoration and enforcement programs	California Wildlife, Coastal and Park Land Conservation (Bond)	4,000,000
3600-001-890—Support	Federal Trust	18,833,000
Reimbursements	—	<u>10,454,000</u>
Total		\$135,748,000

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

Analysis
page

1. Fiscal Operations. Recommend that the department submit to the Legislature, prior to budget hearings, (a) a plan for improving its fiscal operations and the fiscal information submitted to the Legislature, and (b) a plan for preventing deficiencies in the dedicated and nondedicated portions of the Fish and Game Preservation Fund. 324
2. Cost Allocation Report. Recommend that the department report at the time of budget hearings on (a) why it has not provided the Legislature with quarterly progress reports on the implementation of the cost allocation methodology, as required in the *Supplemental Report of the 1988 Budget Act*, (b) the problems it is experiencing in implementing the cost allocation methodology, and (c) proposed solutions for addressing these problems. 325
3. No information. Withhold recommendation on \$20,524,000 (A reduction of \$422,000 from Item 3600-001-001, increases of \$1,420,000 from Item 3600-001-140, \$7.9 million from Item 3600-001-200, \$5,525,000 from Item 3600-001-235, \$4 million from Item 3600-001-786, \$1,460,000 from Item 3600-001-890, \$167,000 from reimbursements, and \$474,000 from unidentified fund sources) requested for 44 different programs, projects and fund shifts, pending further review of the department's proposals. 328
4. *Fish and Game Wardens. Reduce Item 3600-001-235 by \$456,000 and 9.5 personnel-years.* Recommend reduction because the department has not justified the need for additional staff. Further recommend that the department submit to the Legislature, prior to budget hearings, a plan to improve its efforts to fill the vacant warden positions in the southern California region. 328
5. *Fish and Wildlife Habitat Improvement Crews. Reduce Item 3600-001-200 by \$400,000 and 6.5 personnel-years and Item 3600-001-890 by \$700,000 and 9.6 personnel-years.* Recommend reduction because the department has not 329

DEPARTMENT OF FISH AND GAME—Continued

justified its request. Further recommend adoption of supplemental report language requiring the department to submit a comprehensive operation and management plan for the properties it manages.

6. *Feasibility Study Report. Reduce Item 3600-001-200 by \$300,000.* Recommend reduction for development of a feasibility study report, because the department has not justified its request, and to correct for technical overbudgeting. 331
7. *One-Time Costs. Reduce Item 3600-001-140 by \$85,000 and Item 3600-001-200 by \$475,000.* Recommend reductions because funds provided for one-time expenditures in 1988-89 are no longer needed. 332

GENERAL PROGRAM STATEMENT

The Department of Fish and Game (DFG) administers programs and enforces laws pertaining to the fish and wildlife resources of the state.

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

The department has 1,568 personnel-years in the current year.

OVERVIEW OF THE BUDGET REQUEST

The budget proposes total expenditures of \$135.7 million from all sources for support of the DFG in 1989-90. This is an increase of \$15.3 million, or 13 percent, from estimated current-year expenditures. The department's proposed expenditure plan would be financed by \$106.5 million from state funds requested in the Budget Bill, \$10.5 million in reimbursements, and \$18.8 million in federal funds.

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

Table 1
Department of Fish and Game
Budget Summary
1987-88 through 1989-90
(dollars in thousands)

Program	Personnel-Years			Expenditures			Percent
	Actual 1987-88	Est. 1988-89	Prop. 1989-90	Actual 1987-88	Est. 1988-89	Prop. 1989-90	Change From 1988-89
Enforcement	349.9	364.2	378.3	\$26,372	\$29,704	\$32,610	9.8%
Licensing	52.6	43.0	44.5	3,492	4,319	4,678	8.3
Wildlife management	184.2	180.9	205.9	14,783	16,768	21,768	29.8
Nongame heritage	43.8	41.0	62.2	7,565	11,044	11,310	2.4
Inland fisheries	247.8	265.3	282.2	19,764	21,229	23,269	9.6
Anadromous fisheries	185.4	199.3	222.4	14,388	19,648	22,869	16.4
Marine resources	107.5	111.5	123.0	8,167	9,080	10,439	15.0
Environmental services	78.9	90.9	93.7	8,789	8,685	9,305	7.1
Administration (costs distributed to other programs)	270.6	272.0	289.6	(18,947)	(20,068)	(21,365)	6.5
Unallocated reduction	—	—	—	—	—	-500	— ^a
Totals	1,520.7	1,568.1	1,701.8	\$103,320	\$120,477	\$135,748	12.7%

Funding Sources

<i>Fish and Game Preservation Fund (FGPF)</i>	\$61,345	\$71,768	\$77,188	7.6%
<i>Fisheries Restoration Account, FGPF</i>	843	1,250	—	-100.0
<i>General Fund</i>	8,932	8,780	8,191	-6.7
<i>Environmental License Plate Fund</i>	11,999	12,356	11,092	-10.2
<i>Public Resources Account, Cigarette and Tobacco Products Surtax Fund</i>	—	—	5,990	— ^a
<i>California Wildlife, Coastal, and Park Land Conservation Fund</i>	—	—	4,000	— ^a
<i>Renewable Resources Investment Program Fund</i>	736	203	—	-100.0
<i>Federal funds</i>	12,862	15,810	18,833	19.1
<i>Reimbursements</i>	6,603	10,310	10,454	1.4

^a. Not a meaningful figure.**Proposed Budget Changes for 1989-90**

Table 2 summarizes, by funding source, the changes proposed in the department's budget for 1989-90. As shown in Table 2, the proposed \$15.3 million net increase in expenditures results primarily from the following:

- An increase of \$6.5 million in expenditures for fisheries restoration projects from the Cigarette and Tobacco Products Surtax Fund (Proposition 99), the California Wildlife, Coastal, and Park Land Conservation (Bond) Fund (Proposition 70), and various other funds.
- An increase of \$3 million from the Fish and Game Preservation Fund (FGPF) to establish wildlife programs for persons that do not "take" fish and wildlife (nonappropriative users), as authorized by Ch 1539/88 (AB 3873, Costa). The program would be funded from fees on the nonappropriative users which are deposited into a special account in the FGPF.
- An increase of \$2 million from the Cigarette and Tobacco Products Surtax Fund to restore and protect wetlands.

Various other program changes totaling approximately \$7.8 million are partially offset by reductions from the deletion of one-time costs funded in the current year and miscellaneous other baseline changes.

Table 2
Department of Fish and Game
Proposed 1989-90 Budget Changes
(dollars in thousands)

	<i>Fish and Game Preservation Fund</i>	<i>General Fund</i>	<i>Environmental License Plate Fund</i>	<i>Cigarette and Tobacco Products Surtax Fund</i>	<i>Other State Funds^a</i>	<i>Federal Funds and Reimbursements</i>	<i>Totals</i>
1988-89 Expenditures (Revised)	\$71,768	\$8,780	\$12,356	—	\$1,453	\$26,120	\$120,477
<i>Baseline and administrative adjustments:</i>							
Delete one-time costs	-1,255	-18	-2,313	—	-1,250	-471	-5,307
Full-year compensation costs	1,986	257	110	—	23	761	3,137
Operating expense adjustment	510	66	126	—	6	195	903
Miscellaneous adjustments	-2,321	-497	-182	—	-232	196	-2,789
Subtotals, baseline adjustments	(-\$1,080)	(-\$192)	(-\$2,259)	(—)	(-\$1,453)	(\$681)	(-\$4,056)

DEPARTMENT OF FISH AND GAME—Continued*Program changes:*

Increase fisheries restoration and enhancement programs	24	—	75	3,525	3,000	73	6,450
Establish wildlife programs for non-appropriative users	2,973	—	—	—	—	—	2,973
Develop wetlands restoration and protection program	—	—	—	2,000	—	—	2,000
Expand fish and wildlife habitat improvement crews	466	—	—	—	—	700	1,166
Expand and improve the Imperial Wildlife area	161	—	—	—	—	241	402
Wildlife grants to public agencies and nonprofit organizations	—	—	745	—	—	—	745
Increase hatchery and wildlife enforcement personnel	53	—	—	465	—	247	765
Establish public shooting ranges	—	—	—	—	—	300	300
Establish water purchasing program for wildlife	214	—	—	—	—	—	214
Purchase and maintain computer systems	488	—	—	—	—	—	488
Miscellaneous changes	2,121	-397	175	—	1,000	925	3,824
Subtotals, program changes	(\$6,500)	(-\$397)	(\$995)	(\$5,990)	(\$4,000)	(\$2,486)	(\$19,327)
1989-90 Expenditures (Proposed)	\$77,188	\$8,191	\$11,092	\$5,990	\$4,000	\$29,287	\$135,748
Change from 1988-89:							
Amount	\$5,420	-\$589	-\$1,264	\$5,990	\$2,547	\$3,167	\$15,271
Percent	7.6%	-6.7%	-10.2%	— ^b	175.3%	12.1%	12.7%

^a Fisheries Restoration Account, Fish and Game Preservation Fund; Renewable Resources Investment Program Fund; and California Wildlife, Coastal, and Park Land Conservation Fund.

^b Not a meaningful figure.

DFG's Budget Proposal Is Rife With Errors

Over the past few years, the Legislature has expressed concern over (1) the department's inability to properly manage its expenditures, (2) the poor quality of the department's fiscal information, and (3) the department's lack of responsiveness to legislative requests for budget and accounting data. This concern has focused primarily on the department's lack of a consistent and comprehensive cost allocation methodology. The lack of such a methodology has resulted in the department's inability to account for expenditures. In addition, the department has continued to overspend some funds, and spend other funds in violation of its funding policy, which requires that activities that primarily benefit game species be paid from the FGPF, and activities that primarily benefit nongame species be paid from other funds.

Our analysis of the department's 1989-90 budget request indicates that the department's fiscal information, and the department's ability to manage its budget and account for its spending is getting *worse, not better*. We found that errors pervade the department's 1989-90 budget proposal. In addition, when we asked the department for information that would be useful in clarifying its proposal, the information has been inadequate. Below, we discuss a few examples of the problems we found with the department's budget request for 1989-90.

The Department Proposes Deficiencies in the Fish and Game Preservation Fund. The department proposes to end 1989-90 with deficits in both nondedicated and dedicated portions of the Fish and Game Preservation Fund (FGPF). (Monies in dedicated accounts, such as the duck stamp account, may be used only for limited purposes, such as programs that benefit ducks. Monies in the nondedicated portion of the FGPF may be used for general fish and wildlife activities.) Although the budget proposes a reserve in the nondedicated portion of the FGPF of \$517,000, our analysis indicates that this amount is *insufficient* to pay for employee compensation agreements negotiated for the budget year, but not included in the department's budget, and does not provide a reserve for contingencies. Therefore, the department's 1989-90 budget proposes expenditures from the nondedicated portion of the FGPF in excess of funds that will be available.

In addition, the department proposes to end 1989-90 with a *deficit* of \$238,000 in the Streambed Alterations Permits Dedicated Account in the FGPF. This account funds the department's review and evaluation of proposals by other governmental agencies to change the flow, channel, or bank of a stream.

The DFG Proposes to Use Contracts Proposal as its Budget Balancer. The department also has used poor budgeting practices in developing its funding request for contracting with other organizations. The budget proposes approximately \$26 million from various funds for contracts with other state agencies and private organizations. It appears to us that the department "backed into" this funding level by adjusting its current-year spending level for inflation, then determining how many contracts could be funded. A better practice would have been for the department to (1) evaluate its contract needs for 1989-90 and (2) request funds to support the highest priority needs. Instead, the DFG used a method for contract budgeting that does not consider the need for the contracts, nor the relative priority of them.

Moreover, the list of proposed contracts indicates that the department has yet to decide on the purposes for which it actually intends to spend the money. In an effort to provide a list of contract expenditures that totals to the amount requested for support of contracts in 1989-90, the department specified (1) contracts from sources from which the budget does not propose an appropriation, (2) contracts that cost more than the amount proposed for appropriation, and (3) some contracts undertaken twice in the same year. The department indicates that it intends to revise its proposal to correct for these items while still maintaining the same "bottom line" on its budget request.

Department Is Unable to Provide Accurate and Timely Information. The information submitted by the department to justify its budget request is inaccurate and incomplete. The department's supporting documents often do not include quantitative information on (1) the problem that the department is proposing to solve, (2) the existing resources available to solve the problem, or (3) the basis for the amount being requested. Furthermore, the supporting information for the budget contains many technical errors. In addition, the department has provided basic supporting data too late to allow adequate legislative review of many of its proposals. In fact, later in this analysis, we are withholding recommendation on 44 separate projects and programs

DEPARTMENT OF FISH AND GAME—Continued

totaling approximately \$21 million, because the department was so late in submitting basic information to justify its requests that we could not evaluate it in time to include our recommendations in this analysis.

Finally, at the time this analysis was written, the department had not yet provided information on the basis for its revenue estimates. This information is important for the Legislature in order to evaluate whether sufficient revenues will be available to fund all of the DFG's budget proposals.

ANALYSIS AND RECOMMENDATIONS**Improvements Needed in DFG's Budgeting and Accounting Operations and Information**

We recommend that the department submit to the Legislature, prior to budget hearings, a plan for improving its fiscal operations and the fiscal information submitted to the Legislature. The plan should identify (1) the specific steps the department intends to take to improve significantly its budgeting and accounting practices, and the timeliness and accuracy of budget information submitted to the Legislature, and (2) a timeline for implementing these steps.

We further recommend that the department submit to the Legislature, prior to budget hearings, a plan for preventing deficiencies in the dedicated and nondedicated portions of the Fish and Game Preservation Fund.

We have outlined above problems with the department's budgeting and accounting practices, and the poor quality of the department's fiscal information that it provides to the Legislature. These problems reduce the Legislature's ability to review the department's proposed budget, set policy and program priorities, and oversee the department's expenditures. In short, without timely, accurate, and complete information on the department's budget proposals and expenditures, the Legislature cannot meaningfully review the department's budget request.

Effect of Sloppy Budgeting on Legislative Oversight. By submitting a budget constructed with unsound practices, the department, either by design or by default, reduces the Legislature's role in setting funding priorities. For example, by requesting the Legislature to approve a budget that would spend more from the FGPF than the amount of funds available, the department is asking the Legislature to allow the department, rather than the Legislature, to determine those programs that will be funded and those programs that will not be funded because of the funding shortfall.

In order to improve the Legislature's abilities to oversee the department's budget, we recommend that the department submit to the Legislature, prior to budget hearings, a plan for improving the department's fiscal operations and the fiscal information submitted to the Legislature. The plan should identify (1) the specific actions the department intends to take to improve significantly its budgeting and accounting practices, the timeliness of budget information, and the accuracy and quality of budget information, and (2) a timeline for implementing these actions.

We further recommend that the department submit to the Legislature, prior to budget hearings, a plan for preventing deficiencies in the nondedicated portion of the FGPF and in the Streambed Alterations

Dedicated Account in the FGPF, and to provide sufficient reserves in these funds. The plan should identify (1) the options available to the Legislature to provide sufficient reserves in these funds, including the specific programs that should be reduced in order to reduce expenditures, (2) the advantages and disadvantages of each option, and (3) the option or options that the department recommends to resolve its funding problems.

Who Should Pay for Department's Activities?

We recommend that the department report at the time of budget hearings on the reasons it has not provided the Legislature with the information necessary to allow for legislative oversight of the cost allocation methodology, as required in the Supplemental Report of the 1988 Budget Act.

We further recommend that the department report at budget hearings on (1) the problems it is experiencing in implementing the cost allocation methodology and (2) proposed solutions for addressing these problems.

Background. The Fish and Game Code establishes a funding policy for the department under which activities that primarily benefit game species are paid from the FGPF and activities that primarily benefit nongame species are paid from other sources such as the General Fund or the Environmental License Plate Fund (ELPF). For the past four years, the Legislature has expressed concern about the department's lack of a consistent and comprehensive cost allocation system and whether the department is properly implementing its funding policy.

In 1985, the Legislature directed the department and the Department of Finance to report on the allocation of costs within the DFG, and the basis for the existing funding arrangement. The report, which was submitted in January 1986, identified several serious fiscal and administrative problems at the DFG, which resulted in DFG funding some of its activities improperly.

In order to address the problems and provide the Legislature with the information it requested, the department developed a new cost allocation methodology during 1986 and 1987. Using this methodology, employees report time spent in various activities (such as disease control) and the species that benefit from the activity (such as deer). The department then allocates costs based on the species that benefit from the activity. The cost allocation system should enable the department to (1) determine the level of funding required from each source to support its current level of activities and (2) ensure, thereafter, that its actual expenditures from each fund correspond to the budgeted levels.

In 1988, the Legislature began to adjust the department's budget to reflect the results of the cost allocation system. Although the cost allocation system still had problems in its implementation, the information from the system represented the best information available at that time on department activities and expenditures. Accordingly, in the 1988 Budget Act the Legislature shifted \$462,000 from the ELPF to the FGPF to partially reflect the results of the cost allocation methodology applied to 1986-87 employee time records, which indicated that the department had spent \$965,000 from the ELPF on activities that should have been funded from the FGPF.

In addition, in order to evaluate the department's progress in resolving the problems with the cost allocation methodology, the Legislature also

DEPARTMENT OF FISH AND GAME—Continued

adopted language in the *Supplemental Report of the 1988 Budget Act* requiring the department to submit quarterly reports, beginning October 1, 1988, on its progress in implementing the cost allocation methodology, including (1) information on the department's expenditures by fund compared with the amounts budgeted from each fund, (2) the number of hours spent for specific activities and species, and for general activities, and (3) a description of how well the system is functioning, any problems with the system, and the effect of the problems on the data produced.

The Legislature also adopted supplemental report language requiring the department to audit, at least twice a year, a sample of its employees' time sheets in order to evaluate the accuracy of information used in the cost allocation system and to report to the Legislature on its results.

Department Has Not Provided Information Necessary for Legislative Oversight. Based on the requirements of the supplemental report language, the department should have provided two of the quarterly progress reports by the time this analysis was prepared (late January). In addition, because more than one-half of the fiscal year is complete, the department should have conducted at least one audit of employee time records, in order to correct early in the year any major and consistent errors in the time records. However, the Legislature has not received any quarterly progress reports nor the results of any audit of employee time records.

Moreover, the department indicates that it cannot yet provide information on the results of the cost allocation methodology applied to employee time records from 1987-88. Without this information, the Legislature cannot (1) evaluate the department's progress in implementing the cost allocation methodology, (2) address problems that the department might be experiencing, (3) evaluate the accuracy of the data used in the cost allocation methodology, and (4) compare the results of the methodology to the department's current allocation of funds. In effect, by not providing this information, the department has delayed the Legislature's efforts to implement a more rational cost allocation methodology at the DFG.

Cost Allocation Methodology Continues to Have Problems. Because the department has provided neither the information required in the *Supplemental Report of the 1988 Budget Act*, nor information on the results of the cost allocation methodology applied to 1987-88 employee time records, we cannot at this time provide the Legislature with a comprehensive review of the cost allocation methodology. Based on preliminary discussions with the department, however, we have three concerns regarding the development of the methodology.

1. ***Technical Problems.*** The department indicates that the methodology continues to have a large number of technical problems, including double-counting data, losing data, and incorrect computer coding. As a result of these problems, the department still has not provided its managers with monthly expenditure reports by fund. Without this information, program managers cannot be sound fiscal managers and are likely to continue to overspend for some activities and fund other activities from inappropriate accounts in violation of the department's funding policy.

2. ***Inaccurate Employee Time Records.*** Our review of preliminary information from employee time records for 1987-88 indicates that some

of these records are inaccurate. For example, current law requires that prior to purchasing a hunting license, persons must complete a hunter safety course. In our view, this is related to "game" programs, and accordingly should be paid from the FGPF. However, department employees have coded this activity on their employee time records as a "nongame" activity. Unless employees keep accurate time records, activities will be supported from inappropriate accounts.

3. Use of Habitats Data Is Biased. The *Supplemental Report of the 1987 Budget Act* required the department, in its time-keeping system, to record the species that primarily benefit from each activity when it is possible to do so, or when it is not possible to do so, to record the habitat type involved with the activity. In allocating costs to the employee time record information for habitats, the department has identified all fish and wildlife species that occupy each type of habitat, and allocated costs based on the percentage of nongame species as compared with the percentage of game species.

Because the number of nongame fish and wildlife species in any type of habitat exceeds the number of game species, this allocation of costs skews the allocation towards nongame funding sources. In reality, however, it may not be the nongame species in a habitat that benefit from the department's activities. For instance, the burning of chaparral to create habitat for some species, such as deer, may not benefit other species, such as bats, owls, newts, salamanders, lizards, and frogs. Nevertheless, the department's methodology would allocate costs primarily to nongame fund sources, because these nongame species *use* the habitat.

Conclusion. Without information on (1) the final results of the cost allocation methodology applied to 1987-88 employee time sheets, (2) the department's progress and problems in implementing the methodology, and (3) the results of the audit of employee time records for 1988-89, we cannot evaluate the degree to which the concerns identified here affect the results of the cost allocation methodology. When the department provides this information, we will report to the Legislature on any further concerns.

In the meantime, we recommend that the department report at the time of budget hearings on why it has not provided the Legislature with the necessary information to allow for legislative oversight of the cost allocation methodology. Specifically, the department should report on the reasons it has not (1) submitted quarterly progress reports on the implementation of the cost allocation methodology, as required in the *Supplemental Report of the 1988 Budget Act*, (2) conducted an audit of employee time records, and (3) provided information on the results of the cost allocation methodology applied to employee time records for 1987-88.

We further recommend that the department report, at the time of budget hearings, on (1) the problems it is experiencing with implementing the cost allocation methodology and (2) proposed solutions for resolving these problems, including alternative means of allocating costs among its various funding sources if the department determines that the current method is unworkable or administratively burdensome.

DEPARTMENT OF FISH AND GAME—Continued**Too Little, Too Late**

We withhold recommendation on \$20,524,000 from various fund sources requested for 44 different programs and projects, pending further review of the department's proposals.

Specifically, we withhold recommendation on:

- \$1,420,000 proposed from the Environmental License Plate Fund.
- \$7.9 million proposed from the Fish and Game Preservation Fund
- \$5,525,000 proposed from the Public Resources Account, Cigarette and Tobacco Products Surtax Fund.
- \$4 million proposed from the California Wildlife, Coastal, and Park Land Conservation Fund.
- \$1,460,000 proposed from federal funds.
- \$167,000 proposed from reimbursements.
- \$422,000 in proposed reductions from the General Fund.
- \$474,000 from unidentified fund sources.

The Governor's budget proposes approximately \$21 million for 44 new or expanded programs and projects, or in shifts in funding sources for certain programs, in the Department of Fish and Game in 1989-90. In past years, detailed information on the department's baseline budget and proposed programmatic changes has been available in time for us to review the proposals and report our findings and recommendations to the Legislature in the *Analysis of the Budget Bill*.

However, in the case of these 44 proposals, we received the information too late to allow for a meaningful review of the proposals prior to when this analysis was prepared. In fact, by late January we had received *no information* on 21 of the 44 proposals.

Consequently, we withhold recommendation on the \$21 million requested for the 44 proposals, pending receipt of information substantiating the department's request for additional support for these new programs and projects.

Fish and Game Warden Positions Not Justified

We recommend deletion of \$465,000 and 9.5 personnel-years requested from the Cigarette and Tobacco Products Surtax Fund for additional fish and game wardens because the department has not justified the need for additional personnel. In addition, we recommend that the department submit to the Legislature, prior to budget hearings, a plan to reduce the number of vacant warden positions in the southern California region. (Reduce Item 3600-001-235 by \$465,000 and 9.5 personnel-years.)

The budget requests an increase of \$465,000 and 10 positions (9.5 personnel-years) from the Public Resources Account (PRA) in the Cigarette and Tobacco Products Surtax Fund to increase the number of fish and game wardens in the southern California area. This would increase from 76 to 86 the total number of authorized warden positions in this region.

The department indicates that the current number of wardens in the region is insufficient to adequately enforce fishing and hunting laws. According to the department, wardens in the region currently do not (1) investigate most complaints of minor violations of fish and game laws, and (2) adequately patrol to prevent violations of these laws. The department

cites two reasons that the current number of wardens in southern California is insufficient.

First, the department is unable to hire enough wardens to fill all of its currently authorized positions. The department indicates that, on average, nine warden positions are vacant at any one time in the region, and positions have remained unfilled for up to two years. At the time of this analysis, 15 positions, or nearly 20 percent, of the 76 authorized warden positions were vacant in the southern California region. The department indicates that it has difficulty attracting wardens to work in the region because of the high cost of living in the area, and the urban nature of the work. As a result of the large number of vacancies, the department has an average of only 67, rather than 76, wardens enforcing fish and game laws.

Second, the department indicates that experienced wardens must spend much of their time training new wardens, and this reduces the amount of time in which the officers are available to enforce fish and game laws. The department requires all new wardens to train for 13 weeks with an experienced warden by jointly performing enforcement activities in the field. Because experienced wardens both train and evaluate new wardens, much of their time is spent away from enforcing fish and game laws.

In order to address its staffing problem, the department is proposing to increase by 10 the number of authorized warden positions in southern California. We have two concerns with the department's proposal:

No workload justification for additional positions. The department has not provided any data indicating that 10 *additional* positions are needed to enforce fish and game laws in southern California. Although the DFG indicates that its current staffing level is insufficient, the department could increase by 15 the number of wardens available to enforce fish and game laws in the region simply by filling its currently authorized positions. The department has not provided any information which indicates that the number of currently *authorized* positions is insufficient, only that the number of currently *filled* positions is too low given the regional enforcement workload.

Addition of proposed positions would exacerbate vacancy problem. Based on the DFG's experience to date, we see no reason to expect that the department could fill any additional warden positions in the southern California region as a result of adding new positions. Providing additional warden positions at this time simply would increase the number of vacant positions that the department would need to fill. As a result, no increased enforcement activity would occur.

Until the department (1) fills the vacant positions and (2) provides workload data to justify an increase above its currently authorized level, we have no basis to recommend approval. Accordingly, we recommend deletion of \$465,000 and 9.5 personnel-years requested from the PRA for additional wardens in southern California. In addition, we recommend that the department submit to the Legislature, prior to budget hearings, a plan to improve its efforts to fill vacant warden positions in the southern California region.

Fish and Wildlife Habitat Improvement Crews Not Justified

We recommend deletion of \$466,000 from the Fish and Game Preservation Fund, \$700,000 in federal funds, and 16.1 personnel-years for increasing personnel to improve fish and wildlife habitat, because the

DEPARTMENT OF FISH AND GAME—Continued

department has not justified its request. (Reduce Item 3600-001-200 by \$400,000 and 6.5 personnel-years, and Item 3600-001-890 by \$700,000 and 9.6 personnel-years).

We further recommend that the Legislature adopt supplemental report language requiring the department to submit, by September 15, 1990, a comprehensive operation and management plan for the properties managed by the department.

The Department of Fish and Game is responsible for operating and maintaining various ecological reserves, wildlife management areas, interior wetlands, coastal wetlands, and other types of property throughout the state. The budget requests an increase of \$1,166,000 and 16.1 personnel-years from the FGPF (\$466,000) and federal funds (\$700,000) to add new personnel and equipment for maintaining and improving fish and wildlife habitat on these lands. The department indicates that currently it has 25 personnel-years assigned to maintaining department properties. While the department is unable to estimate current-year expenditures for property maintenance and improvement, we estimate that the department will spend *at least* \$2.8 million in the current year for this purpose.

The department indicates that over the past 15 years the lands for which it is responsible have increased in size from 100,000 acres to 400,000 acres, or by 300 percent. However, according to the department, its personnel has not increased sufficiently during this same period to properly operate and maintain these lands. As a result, the department periodically must divert biologists and wardens from their regular duties to operate and maintain many of the department's properties.

In order to address this problem, the department is requesting an increase in 1989-90 of \$1.2 million and 16.1 personnel-years to establish three roving fish and wildlife habitat improvement crews throughout the state. This increase represents the first phase of the DFG's plan to establish nine crews over the next three years at a total additional cost of approximately \$3.1 million for 46 personnel-years. Each crew would be composed of approximately eight staff, and would maintain and enhance fish and wildlife resources on state and federal lands.

In the past, we have expressed concern over the department's ability to manage its lands properly because of the increasing acreage. However, our analysis indicates that the department's proposal has the following problems:

- **No justification of the number of personnel requested.** The department has provided no information on: (1) the number of properties that require additional habitat improvement or maintenance, (2) the type of maintenance or improvement work that is needed for each property, (3) the estimated number of personnel needed to perform the work on each property and the related costs, and (4) a timeline for performing the work. This information is critical in determining the number of personnel needed for fish and wildlife habitat maintenance and enhancement.
- **No assurance that work will address high priority problems.** Because the department has provided no information on the type of work that needs to be performed, the Legislature has no assurance that the department will address habitat improvement needs in priority order.

- **No assurance that sufficient federal funds will be available.** The department's request includes \$700,000 from a federal excise tax on hunting equipment. For the past three years, the department has indicated to the Legislature that these funds are declining and has requested to shift funding for many programs from the federal excise tax to state funds. The department has provided no information on whether it (1) expects revenues from the federal excise tax to increase or (2) intends to redirect the federal funds from other ongoing activities. As a result, the Legislature cannot determine if this proposal will result in decreases in departmental program activities currently supported by federal funds.

Without this information, the Legislature has no basis to determine whether (1) the department's request is needed to properly maintain fish and wildlife habitat on public lands, (2) the department's proposal will address the highest priority problems, and (3) sufficient federal monies will be available to fund the program.

Accordingly, we recommend deletion of (1) \$466,000 from the Fish and Game Preservation Fund, (2) \$700,000 in federal funds, and (3) 16.1 personnel-years for increasing fish and wildlife habitat improvement personnel, because the department has not justified its request. In order to provide the Legislature with the information necessary to evaluate at a future date the number of personnel needed to properly maintain fish and wildlife habitat, we further recommend that the Legislature adopt supplemental report language requiring the department to submit to the Legislature a comprehensive operation and management plan for the properties managed by the department. The plan should identify for each property (1) the purpose for which the property was acquired, (2) the habitat improvement work and ongoing maintenance needed to manage the property consistently with the purpose for which it was acquired, (3) the priority of the work relative to habitat work needed at other departmental properties, (4) the estimated personnel requirements and costs of performing the needed work, and (5) a proposed timeline for performing the work. We recommend that the department be required to submit the report by September 15, 1990, in order to provide the department with sufficient time to develop a thorough and comprehensive plan.

Feasibility Study Report Unjustified

We recommend deletion of \$300,000 requested from the Fish and Game Preservation Fund for development of a feasibility study report, because the department has not justified its request. (Reduce Item 3600-001-200 by \$300,000.)

The budget proposes two expenditures of \$150,000 each from the Fish and Game Preservation Fund to contract with a private organization for development of a feasibility study report for a computer data bank of persons who have purchased fishing and hunting licenses. A feasibility study report is a planning document which is intended to allow the administration and the Legislature to (1) determine whether a proposed project represents a justified expenditure of public resources and (2) assess the merits of a proposed project.

Our review of the department's proposed expenditure indicates that it has budgeted twice for the same feasibility study report that the department estimates will cost \$150,000. Moreover, it has provided no

DEPARTMENT OF FISH AND GAME—Continued

information to indicate that the benefits of developing the license data bank are likely to outweigh the costs of the feasibility study.

Without information on (1) the project the department proposes, (2) the reasons the project is needed, and (3) justification for the amount requested, we have no basis to recommend approval of the department's request. Therefore, we recommend a reduction of \$300,000 in the amount requested from the FGPF because the department has not justified its request (—\$150,000) and to correct for technical overbudgeting (—\$150,000).

Funding for One-Time Costs Should be Eliminated

We recommend technical reductions of \$475,000 from the Fish and Game Preservation Fund and \$85,000 from the Environmental License Plate Fund because the funds provided for one-time expenditures in 1988-89 are not needed again in 1989-90. (Reduce Item 3600-001-140 by \$85,000 and Item 3600-001-200 by \$475,000.)

In the 1988 Budget Act, the department received \$475,000 from the Fish and Game Preservation Fund (FGPF) for a *one-time* increase in its public information program, primarily to print and distribute brochures, and \$25,000 from the Environmental License Plate Fund (ELPF) for a *one-time* grant to the City of Oakland to improve Lake Merritt. Accordingly, in constructing its budget for 1989-90, the department should have deleted these funds. Our analysis indicates, however, that the department did not delete these funds from its budget-year request.

In addition, the 1988 Budget Act provided \$60,000 from the ELPF for a study on the ecological effects of fishing gear used as an alternative to gill nets. The 1989-90 budget proposes a total of \$100,000 from the ELPF, to complete the study. However, the department indicates that it needs only \$40,000 to complete the study. Apparently the department also should have deleted the one-time appropriation of \$60,000 in constructing its budget-year request, and failed to do so.

Consequently, we recommend the deletion \$475,000 from the FGPF and \$85,000 from the ELPF to correct for these oversights in accounting for one-time expenditures.

DEPARTMENT OF FISH AND GAME—REAPPROPRIATION

Item 3600-490 from the Fish and
Game Preservation Fund

Budget p. R 87

ANALYSIS AND RECOMMENDATIONS

We recommend deletion of the reappropriation of the unencumbered balances of appropriations made from Chapter 1390, Statutes of 1985, and Chapter 212, Statutes of 1986, because (1) Ch 1390/85 did not appropriate funds, and (2) all funds appropriated by Ch 212/86 will be fully spent in the current year.

The budget proposes to reappropriate the unencumbered balances of appropriations made by the following acts:

- *Chapter 1390, Statutes of 1985.* This act deposited into the Fish and Game Preservation Fund (FGPF) \$2.5 million from funds received by the state pursuant to Section 8(g) of the federal Outer Continental Shelf Lands Act. The funds are to be used, upon appropriation by the Legislature, to improve the state's response to offshore oil spills, and for research on the effects of seismic testing on fish populations.
- *Chapter 1429, Statutes of 1985.* This act appropriated \$2.25 million of the funds deposited into the FGPF by Ch 1390/85 for various activities to improve the state's response to offshore oil spills.
- *Chapter 212, Statutes of 1986.* This act appropriated \$375,000 from the Fisheries Restoration Account in the FGPF for the administrative costs of the Advisory Committee on Salmon and Steelhead Trout.

The department indicates that it has not completed all of the activities to improve state responses to oil spills as required by Ch 1429/85. Therefore, the department estimates that it will not encumber in the current year approximately \$500,000 of the appropriation made by Ch 1429/85. Consequently, the department is requesting to reappropriate these funds for expenditure in 1989-90 in order to finish the various oil spill response activities. The proposed reappropriation of these funds appears reasonable.

Our analysis indicates, however, that no funds deposited by Ch 1390/85 or appropriated by Ch 212/86 are available for reappropriation. Chapter 1390, Statutes of 1985, deposited funds into the Fish and Game Preservation Fund, but did not appropriate these funds for any purpose. Because these funds have been appropriated by other legislation, no funds are available for reappropriation from Ch 1390/85.

In addition, the Advisory Committee on Salmon and Steelhead Trout indicates that all monies appropriated by Ch 212/86 will be fully spent in the current year, leaving nothing available for reappropriation in the budget year. Accordingly, we recommend deletion of the reappropriation of funds deposited by Ch 1390/85 and appropriated by Ch 212/86, because there are no funds available for reappropriation.

Resources Agency

WILDLIFE CONSERVATION BOARD

Item 3640 from the Wildlife
Restoration Fund and bond
funds

Budget p. R 113

Requested 1989-90	\$831,000
Estimated 1988-89	997,000
Actual 1987-88	858,000
Requested decrease (excluding amount for salary increases) \$166,000 (-17 percent)	
Total recommended reduction	None

WILDLIFE CONSERVATION BOARD—Continued
1989-90 FUNDING BY ITEM AND SOURCE

Item—Description	Fund	Amount
3640-001-447—Support	Wildlife Restoration	\$589,000
Public Resources Code Section 5907 (Proposition 70)—Support	California Wildlife, Coastal, and Park Land Bond	242,000
Total		\$831,000

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

*Analysis
page*

1. *Wetlands Maintenance Payments. Add Item 3640-001-140 in the amount of \$250,000.* Recommend augmentation because (1) the board has not justified the elimination of a program to pay landowners in the Suisun Marsh area for enhancement and maintenance of wetlands on their property, and (2) this program has been a priority of the Legislature. 335

GENERAL PROGRAM STATEMENT

The Wildlife Conservation Board was created in 1947 to acquire property to protect and preserve wildlife and to provide fishing, hunting, and recreational access facilities.

The board is composed of the Directors of the Departments of Fish and Game and Finance, and the Chairman of the Fish and Game Commission. 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 primarily 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 12 personnel-years in the current year.

OVERVIEW OF THE BUDGET REQUEST

The budget proposes expenditures of \$831,000 from the Wildlife Restoration Fund (\$589,000) and the California Wildlife, Coastal, and Park Land Conservation (Bond) Fund (\$242,000) to support the Wildlife Conservation Board (WCB) in 1989-90. This is \$166,000, or 17 percent, less than estimated current-year expenditures. Table 1 summarizes the board's proposed budget changes, by funding source, for 1989-90.

As shown in Table 1, the proposed reduction is attributable primarily to the deletion of \$250,000 provided in the current year from the Environmental License Plate Fund to pay certain landowners for wetlands enhancement and management on their property.

The California Wildlife, Coastal, and Park Land Conservation Act of 1988 (commonly known as Proposition 70) continuously appropriates \$81.3 million directly to the board for capital outlay purposes. The act authorizes the board to use up to \$1.2 million of these funds for state administrative costs. As Table 1 shows, the budget reflects expenditures from these continuously appropriated funds of \$161,000 in the current year and \$242,000 in the budget year for support of the board.

Table 1
Wildlife Conservation Board
Proposed 1989-90 Budget Changes
 (dollars in thousands)

	<i>Wildlife Restoration Fund</i>	<i>Environmental License Plate Fund</i>	<i>California Wildlife, Coastal, and Park Land Conservation Fund</i>	<i>Total</i>
1988-89 Expenditures (Revised).....	\$586	\$250	\$161	\$997
• Eliminate Suisun Marsh habitat enhancement grant program	—	-250	—	-250
• Full-year cost of 1988-89 staff increase	—	—	42	42
• Full-year cost of 1988-89 salary and benefit increases	22	—	18	40
• Operating expense and pro rata adjustments	-19	—	21	2
1989-90 Expenditures (Proposed)	\$589	—	\$242	\$831
Change from 1988-89:				
Amount	\$3	-\$250	\$81	-\$166
Percent	0.5%	-100%	50.3%	-16.6%

ANALYSIS AND RECOMMENDATIONS

Wetlands Maintenance Payments

We recommend an augmentation of \$250,000 from the Environmental License Plate Fund (ELPF) to support wetlands enhancement and maintenance in the Suisun Marsh area because (1) the board has not justified the elimination of the program and (2) the program has been a priority of the Legislature. (Add Item 3640-001-140 in the amount of \$250,000.)

The budget proposes deletion of \$250,000 from the ELPF to eliminate a program to pay private landowners within the Suisun Marsh primary management area for enhancement and management of wetlands on their property.

Current law requires private landowners in the Suisun Marsh area to manage their property in compliance with regulations adopted by the Suisun Resource Conservation District to protect and enhance the Suisun Marsh. In order to assist landowners in complying with these regulations, the Legislature enacted Ch 1571/82, authorizing reimbursement to landowners within the Suisun Marsh area for 50 percent of the costs of operating and maintaining their lands as required by the district. Reimbursements to landowners may not exceed \$5,000 annually.

The Legislature first appropriated funding to support the program in 1986-87 (\$165,000 from bond funds). Since 1987-88, the Legislature has provided \$250,000 annually to the program from the ELPF.

By providing funding for landowner reimbursements since 1986-87, the Legislature has demonstrated this program to be a funding priority. Nevertheless, the board proposes to discontinue funding the program in 1989-90. The board has provided no information, however, justifying its proposal to discontinue the landowner payments program. Without such information, we see no reason to eliminate the program counter to the Legislature's policy over the past three years. Accordingly, we recommend an augmentation of \$250,000 from the ELPF to continue to pay

WILDLIFE CONSERVATION BOARD—Continued

private landowners within the Suisun Marsh area for part of the costs of operating and maintaining wetlands on their property.

Resources Agency**DEPARTMENT OF BOATING AND WATERWAYS**

Item 3680 from the General
Fund and various special
funds

Budget p. R 119

Requested 1989-90	\$40,307,000
Estimated 1988-89	34,405,000
Actual 1987-88	32,218,000
Requested increase (excluding amount for salary increases) \$5,902,000 (+17 percent)	
Total recommended reduction	None

1989-90 FUNDING BY ITEM AND SOURCE

Item—Description	Fund	Amount
3680-001-001—Support	General	\$269,000
3680-001-516—Support	Harbors and Watercraft Revolving	4,090,000
3680-001-890—Support	Federal Trust	850,000
3680-101-516—Local assistance, boating facilities, and law enforcement	Harbors and Watercraft Revolving	30,641,000
3680-101-235—Local assistance	Public Resources Account, Cigarette and Tobacco Products Surtax	3,592,000
3680-101-890—Local assistance and boating facilities	Federal Trust	850,000
3680-121-890—Transfer to the Harbors and Watercraft Revolving Fund for previous local assistance expenditures	Federal Trust	(3,400,000)
Reimbursements	—	15,000
Total		\$40,307,000

GENERAL PROGRAM STATEMENT

The Department of Boating and Waterways (1) constructs boating facilities for the state park system and State Water Project reservoirs, (2) makes loans to public and private marina operators to finance the development of small craft harbors and marinas, (3) makes grants to local agencies to finance beach erosion projects, boat launching facilities, boating safety, and law enforcement, (4) conducts a boating education program, (5) licenses yacht and ship brokers and for-hire vessel operators, (6) coordinates the work of other state and local agencies and the U.S. Army Corps of Engineers in implementing the state's beach erosion control program and (7) serves as the lead state agency in controlling water hyacinth in the Sacramento-San Joaquin Delta and the Suisun Marsh.

The department has 58.4 personnel-years in the current year.

ANALYSIS AND RECOMMENDATIONS

We recommend approval.

The budget proposes \$40.3 million from state funds, federal funds, and reimbursements for the Department of Boating and Waterways (support and local assistance) in 1989-90. This is an increase of \$5.9 million, or 17 percent, from estimated current-year expenditures. The proposed increase is primarily attributable to three factors, including: (1) a \$2.2 million increase in loans to public and private marinas, (2) a \$900,000 increase in grants to local governments for boat launching facilities and (3) a net increase of \$1.6 million for beach erosion activities funded from the Public Resources Account (PRA). The PRA was established by the Tobacco Tax and Health Protection Act of 1988, better known as Proposition 99.

Table 1 summarizes the staffing and expenditures for the department from 1987-88 through 1989-90. Table 2 shows the proposed budget changes, by funding source, for the department in 1989-90.

Table 1
Department of Boating and Waterways
Summary of Expenditures and Funding Sources
1987-88 through 1989-90
(dollars in thousands)

	<i>Personnel-Years</i>			<i>Expenditures</i>			<i>Percent Change From</i>
	<i>Actual 1987-88</i>	<i>Est. 1988-89</i>	<i>Prop. 1989-90</i>	<i>Actual 1987-88</i>	<i>Est. 1988-89</i>	<i>Prop. 1989-90</i>	
<i>Programs:</i>							
Boating facilities.....	18.8	20.0	20.0	\$23,970	\$26,604	\$29,853	12.2%
Boating operations	15.8	18.4	18.4	4,991	5,538	6,593	19.1
Beach erosion control	2.4	3.0	3.0	3,257	2,263	3,861	70.6
Administration (distributed).....	<u>14.2</u>	<u>17.0</u>	<u>17.0</u>	<u>(685)</u>	<u>(839)</u>	<u>(919)</u>	9.5
Totals.....	51.2	58.4	58.4	\$32,218	\$34,405	\$40,307	17.2%
<i>Funding Sources</i>							
General Fund				\$257	\$263	\$269	2.3%
Harbors and Watercraft Revolving Fund.....				28,458	31,377	34,731	10.7
Federal Funds.....				468	750	1,700	126.7
Special Account for Capital Outlay.....				3,000	2,000	—	-100.0
Public Resources Account, Cigarette and Tobacco Surtax Fund.....				—	—	3,592	— ^a
Reimbursements.....				35	15	15	—

^a Not a meaningful figure.

DEPARTMENT OF BOATING AND WATERWAYS—Continued

Table 2
Department of Boating and Waterways
Proposed 1989-90 Budget Changes
(dollars in thousands)

	<i>General Fund</i>	<i>Harbors and Watercraft Revolving Fund</i>	<i>Federal Funds and Reimburse- ments</i>	<i>SAFCO</i>	<i>Public Resources Account</i>	<i>Totals</i>
1988-89 Expenditures (Revised).....	\$263	\$31,377	\$765	\$2,000	—	\$34,405
Baseline and other adjustments.....	6	225	600	—	—	831
Changes in loan and grant pro- grams						
• Loans to public agencies for marina development	—	1,200	—	—	—	1,200
• Loans to private recreational marinas.....	—	1,000	—	—	—	1,000
• Grants to local governments:						
Boat launching facilities.....	—	929	—	—	—	929
Boating and safety and law enforcement.....	—	—	350	—	—	350
Beach erosion projects	—	—	—	<u>-2,000</u>	<u>3,592</u>	<u>1,592</u>
1989-90 Expenditures (Proposed)	\$269	\$34,731	\$1,715	—	\$3,592	\$40,307
Change from 1988-89:						
Amount	\$6	\$3,354	\$950	\$2,000	\$3,592	\$5,902
Percent	2.3%	10.7%	124.2%	-100.0%	— ^a	17.2%

^a Not a meaningful figure

Beach Erosion Control Activities

The budget proposes \$3.6 million from the PRA for three beach erosion projects. Beach erosion control is an ongoing program within the department which provides funds to specified projects. In the current year, the program is funded from the Special Account for Capital Outlay (SAFCO). Presumably, the budget proposes to shift funding for the program to the PRA because of anticipated SAFCO revenue shortfalls.

Under Proposition 99, expenditures from the PRA are to be divided equally between programs that (1) protect natural habitat and (2) enhance state and local park and recreation areas. In addition, the act requires that expenditures be used to enhance existing service levels. (We discuss the requirements of the act in greater detail in Item 0540.)

Loans and Grants

Loans for Public Marinas. The budget requests \$17.7 million in 1989-90 from the Harbors and Watercraft Revolving Fund (HWRF) for loans to local governments to help finance the construction or improvement of public marinas. This is an increase of \$1.2 million, or 8 percent, from estimated current-year expenditures. The requested amount consists of \$17.5 million for eight harbor development projects and \$200,000 for statewide planning and emergency repair loans.

Loans for Private Marinas. The budget requests \$4 million from the HWRF to provide loans, under a program established in 1985, to private

marina owners to develop, expand, or improve recreational marinas. This is an increase of \$1 million, or 20 percent, from estimated current-year expenditures.

Launching Facility Grants. The budget requests \$5.7 million from the HWRF in 1989-90 for grants to local governments for construction of boat launching ramps, restrooms and parking areas. This amount is \$900,000 or 19 percent, above estimated current-year expenditures. The requested amount consists of \$5.4 million for 16 specific grants, \$150,000 for statewide floating restroom grants, and \$150,000 for statewide repair grants for ramps previously constructed with funds from the department. The amount of funding needed for launching facility grants varies from year to year, depending on the number of projects proposed by local governments. The amount requested for 1989-90 would support approximately the same number of grants as in the current year.

Resources Agency
CALIFORNIA COASTAL COMMISSION

Item 3720 from the General
Fund and other funds

Budget p. R 126

Requested 1989-90	\$8,834,000
Estimated 1988-89	9,202,000
Actual 1987-88	8,164,000
Requested decrease (excluding amount for salary increases) \$368,000 (-4.0 percent)	
Total recommended reduction	None

1989-90 FUNDING BY ITEM AND SOURCE

Item—Description	Fund	Amount
3720-001-001—Support	General	\$5,818,000
3720-001-140—Support	Environmental License Plate	418,000
3720-001-890—Support	Federal Trust	2,167,000
3720-101-890—Local Assistance	Federal Trust	391,000
Reimbursements	—	40,000
Total		\$8,834,000

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

*Analysis
page*

1. Staffing Reductions Adversely Affect Commission. Recommend the commission report at budget hearings on its workload priorities for 1989-90. 341
2. Orange County Low-Income Housing Program. Recommend the commission report at budget hearings on study findings concerning the low-income housing program. 341

GENERAL PROGRAM STATEMENT

The California Coastal Commission administers the state's coastal management program, pursuant to the 1976 Coastal Act (as amended).

CALIFORNIA COASTAL COMMISSION—Continued

The two principal elements of this program are: (1) the review and approval of local coastal programs (LCPs) and (2) the regulation of development in the 69 local jurisdictions within the coastal zone.

The Coastal Commission also administers the federal Coastal Zone Management Act (CZMA) as the designated state coastal management agency. Under the CZMA, California receives federal funding from the Office of Coastal Resource Management to develop and implement the federally certified California Coastal Management Program (CCMP). 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 six public members, six elected local officials, and three nonvoting ex-officio members representing state agencies. The commission is headquartered in San Francisco and maintains four district offices in coastal areas. The commission has 110.1 personnel-years in the current year.

OVERVIEW OF THE BUDGET REQUEST

The budget proposes total expenditures of \$8.8 million in 1989-90, a decrease of \$368,000, or 4 percent, from total estimated current-year expenditures. The proposed decrease is the net result of (1) an unallocated General Fund reduction totaling \$651,000 and (2) administrative and program increases totaling \$283,000.

Proposed expenditures in 1989-90 consist of: \$6.2 million from state funds, \$2.6 million of federal CZMA money, and \$40,000 in reimbursements. The commission expects to retain roughly \$1.3 million, or 50 percent, of the CZMA money it receives in 1989-90. The remaining \$1.3 million will be passed through to the following state agencies: the State Coastal Conservancy (\$400,000), the San Francisco Bay Conservation and Development Commission (\$200,000), and various other agencies (\$650,000) for the Tijuana River National Estuarine Sanctuary program.

Table 1 summarizes expenditures, staffing levels, and funding sources for the commission in the past, current, and budget years.

Table 1
California Coastal Commission
Budget Summary
1987-88 through 1989-90
(dollars in thousands)

	<i>Personnel-Years</i>			<i>Expenditures</i>			<i>Percent</i>
	<i>Actual</i>	<i>Est.</i>	<i>Prop.</i>	<i>Actual</i>	<i>Est.</i>	<i>Prop.</i>	<i>Change</i>
<i>Programs:</i>	<i>1987-88</i>	<i>1988-89</i>	<i>1989-90</i>	<i>1987-88</i>	<i>1988-89</i>	<i>1989-90</i>	<i>From</i>
Coastal management program.....	91.3	87.2	87.2	\$7,728	\$8,746	\$9,011	3.0%
Coastal energy program	6.0	6.0	6.0	396	416	434	4.3
Administration.....	16.9	16.9	16.9	952	983	999	1.6
Distributed administration.....	(14.9)	(14.9)	(14.9)	-912	-943	-959	-1.7
Subtotals	114.2	110.1	110.1	\$8,164	\$9,202	\$9,485	3.1
Unallocated reduction.....	—	—	—	—	—	-\$651	— ^a
Totals	114.2	110.1	110.1	\$8,164	\$9,202	\$8,834	-4.0
<i>Funding Sources</i>							
<i>General Fund</i>				\$5,895	\$6,203	\$5,818	-6.2%
<i>Environmental License Plate Fund</i>				392	401	418	4.2
<i>Reimbursements</i>				40	40	40	—
<i>Federal Trust Fund</i>				1,837	2,558	2,558	—

^a Not a meaningful figure.

ANALYSIS AND RECOMMENDATIONS**Budget and Staff Reductions Continue to Adversely Affect the Commission**

We recommend that the commission report at budget hearings on its workload priorities for 1989-90, given reductions in support.

In the *Analysis of the 1988-89 Budget Bill* (please see pp. 381-384), we advised the Legislature that budget and staff reductions at the Coastal Commission were adversely affecting the commission's ability to perform its statutory mandates. Little has changed in a year's time: local coastal plan (LCP) certification delays continue; permit workload remains high; the enforcement case backlog persists; and post-LCP certification workload continues to increase.

For 1989-90, the budget proposes a General Fund unallocated reduction totaling \$651,000 in the level of support for the commission. Given that the commission has not been able to stay abreast of its work in the current year, we see no reason to expect the commission to meet its statutory obligations in the budget year with even less funding. Accordingly, we recommend that the commission report at budget hearings on the workload priorities it has established for the budget year, given its reduced level of funding.

Orange County Low-Income Housing Program Raises Policy Concerns

We recommend that the commission report at budget hearings on the findings in its study of the Orange County low-income housing program.

Between 1976 and 1982, the Coastal Act contained a low-income housing provision which required, as a coastal permit condition, that developers in the coastal zone include low- to moderate-income housing units in their development projects. The provision also specified that the low- to moderate-income housing units were subject to strict resale controls designed to ensure that the units were resold to qualified low-income buyers and that sellers did not reap windfall profits.

Since its inception, the low-income housing program has experienced administrative problems. As a result, in December 1988 the commission approved funding to conduct a study of the program that will (1) compile all the data related to the program from the various entities which had administered it previously and (2) recommend various options to administer and finance the program. The study is scheduled for completion in late March. In order for the Legislature to determine the best method for administering the program, we recommend that the commission report at budget hearings concerning the findings in its study of the program and the options it has investigated for administering the low-income housing program in the future.

Resources Agency
STATE COASTAL CONSERVANCY

Item 3760 from the Coastal
 Conservancy Fund and
 various other funds

Budget p. R 132

Requested 1989-90	\$3,970,000
Estimated 1988-89	5,030,000
Actual 1987-88	3,098,000
Requested decrease (excluding amount for salary increases) \$1,060,000 (-21 percent)	
Total recommended reduction	None

1989-90 FUNDING BY ITEM AND SOURCE

Item—Description	Fund	Amount
3760-001-565—Support	State Coastal Conservancy (Bond)	\$500,000
3760-001-721—Support	1980 Parklands (Bond)	169,000
3760-001-748—Support	Fish and Wildlife Habitat En- hancement (Bond)	250,000
3760-001-786—Support	1988 California Wildlife, Coastal and Park Land Conservation (Bond)	1,219,000
Total, Budget Act Appropriations		(\$2,138,000)
Direct Appropriations: Public Resources Code Section 5907		\$1,126,000
Reimbursements	—	706,000
Total, All Expenditures		\$3,970,000

GENERAL PROGRAM STATEMENT

Chapter 1441, Statutes of 1976, established the State Coastal Conservancy in the Resources Agency. The conservancy is authorized to acquire land, undertake projects, and award grants for the purposes of (1) preserving agricultural land and significant coastal resources, (2) consolidating subdivided land, (3) restoring wetlands, marshes, and other natural resources, (4) developing a system of public accessways, and (5) improving coastal urban land uses.

In general, the projects must conform to California Coastal Act policies and be approved by the conservancy governing board. The conservancy's geographic jurisdiction coincides with the coastal zone boundaries established for the California Coastal Commission. An exception is the San Francisco Bay and the Suisun Marsh areas where the conservancy has jurisdiction but the Coastal Commission does not. At the request of a local government, the conservancy can undertake a project outside of the coastal zone provided the project is related to enhancing areas within the coastal zone.

The conservancy governing board consists of the Chairperson of the Coastal Commission, the Secretary of the Resources Agency, the Director of Finance, and four public members.

The conservancy has 46.9 personnel-years in the current year.

ANALYSIS AND RECOMMENDATIONS*We recommend approval.*

The budget proposes total expenditures of \$4 million for support of the Coastal Conservancy in 1989-90. This is a decrease of \$1.1 million, or 21 percent, from estimated current-year expenditures. The major reasons for the reduction are: (1) the deletion of \$306,000 for commercial fishing gear loans provided on a one-time basis in the current year by Ch 910/86, and (2) the termination of a current-year local assistance grant of \$650,000.

Proposed 1989-90 expenditures consist of \$2.3 million from the California Wildlife, Coastal and Park Land Conservation Bond Fund (Proposition 70), \$900,000 from various other bond funds, and \$706,000 in reimbursements. Reimbursements include \$400,000 from the federal Coastal Zone Management Act (CZMA) allocated to the conservancy by the Coastal Commission. The Coastal Commission is the single state agency designated to receive CZMA funds. Table 1 provides a three-year summary of the conservancy's expenditures by program and funding source. Table 1 also shows that the conservancy's staff will increase by 3.1 personnel-years in 1989-90. This increase in staff is associated with an increase in project workload related to Proposition 70.

The conservancy's request appears reasonable and consistent with its statutory mandates.

Table 1
State Coastal Conservancy
Budget Summary
1987-88 through 1989-90
(dollars in thousands)

	Personnel-Years			Expenditures			Percent
	Actual 1987-88	Est. 1988-89	Prop. 1989-90	Actual 1987-88	Est. 1988-89	Prop. 1989-90	Change From 1988-89
<i>Program:</i>							
Agricultural land preservation	3.5	3.5	4.5	\$317	\$310	\$394	27.1%
Coastal restoration	3.0	3.6	4.0	438	470	488	3.8
Public access	4.0	4.0	4.0	394	684	684	—
Resource enhancement	8.1	8.7	9.1	743	1,820	1,094	-39.9
Site reservation	3.0	3.0	3.0	348	241	284	17.8
Urban waterfront restoration	5.0	5.0	5.0	603	1,300	821	-36.8
Nonprofits	1.7	1.5	1.3	255	205	205	—
Administration (distributed)	15.0	15.6	16.0	(605)	(620)	(646)	4.2
Totals	43.3	44.9	46.9	\$3,098	\$5,030	\$3,970	-21.1%
<i>Funding Sources:</i>							
General Fund				—	—	—	—
Environmental License Plate Fund				\$150	—	—	—
State Coastal Conservancy (Bond) Fund				631	\$1,243	\$500	-59.8%
Parklands (Bond) Fund of 1980				800	1,643	169	-89.7
State Coastal Conservancy (Bond) Fund of 1984				1,156	751	—	100.0
Fish and Wildlife Habitat (Bond) Fund				250	250	250	—
California Wildlife, Coastal and Park Land Conservation (Bond) Fund of 1988				—	113	2,345	— ^a
Reimbursements				111	1,030	706	-31.5

^a Not a meaningful number

Resources Agency
DEPARTMENT OF PARKS AND RECREATION

Items 3790 and 3790-496 from
the General Fund and various
funds

Budget p. R 140

Requested 1989-90	\$221,426,000
Estimated 1988-89	220,304,000
Actual 1987-88	272,900,000
Requested increase (excluding amount for salary increases) \$1,122,000 (+0.5 percent)	
Total recommended reduction	856,000

1989-90 FUNDING BY ITEM AND SOURCE

Item—Description	Fund	Amount
3790-001-001—Support	General	\$83,124,000
3790-001-235—Support	Public Resources Account, Cigarette and Tobacco Products Surtax	6,494,000
3790-001-263—Support	Off-Highway Vehicle	8,915,000
3790-001-392—Support	State Parks and Recreation	48,200,000
3790-001-394—Support	Fines and Forfeitures Account, State Parks and Recreation	350,000
3790-001-449—Support	Winter Recreation	88,000
3790-001-463—Support	Roberti-Z'berg-Harris Urban Open-Space and Recreation Program Account	400,000
3790-001-516—Support	Harbors and Watercraft Revolving	349,000
3790-001-716—Support	Community Parklands (1986 Bond)	100,000
3790-001-721—Support	1980 Parklands (Bond)	904,000
3790-001-722—Support	1984 Parklands (Bond)	4,231,000
3790-001-742—Support	State, Urban, and Coastal Park (1976 Bond)	800,000
3790-001-786—Support	1988 California Wildlife, Coastal and Park Land Conservation (Bond)	119,000
3790-001-890—Support	Federal Trust	1,735,000
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
3790-101-235—Revenue transfer to the Roberti-Z'berg-Harris Program Account	Public Resources Account, Cigarette and Tobacco Products Surtax	(7,500,000)
3790-101-263—Local assistance grants	Off-Highway Vehicle	9,538,000
3790-101-463—Local assistance grants	Roberti-Z'berg-Harris Urban Open-Space and Recreation Program Account	7,500,000
3790-101-716—Local assistance grants	Community Parklands (1986 Bond)	6,567,000
3790-101-721—Local assistance grants	1980 Parklands (Bond)	1,030,000
3790-101-890—Local assistance	Federal Trust	2,215,000
3790-496-263—Reversion	Off-Highway Vehicle	(80,000)
Total, Budget Act Appropriations		\$182,959,000

Direct Appropriations		
Public Resources Code Section 5907(b) (1) and (3)—Support	1988 California Wildlife, Coastal and Park Land Conservation (Bond)	\$740,000
Public Resources Code Section 5907(b) (3)—Local assistance grants	1988 California Wildlife, Coastal and Park Land Conservation (Bond)	32,800,000
Total, Direct Appropriations		\$33,540,000
Reimbursements	—	\$4,927,000
Total, All Expenditures		\$221,426,000

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

*Analysis
page*

1. State Park System Staffing. Recommend adoption of supplemental report language directing the department to collect data that can be used to assess the need for additional field operations staff. 349
2. *New Positions. Reduce Item 3790-001-392 by \$249,000 and Item 3790-001-235 by \$107,000.* Recommend deletion of \$356,000 and 4.2 personnel-years because delays in project completions have postponed the need for certain positions. 351
3. *Hearst San Simeon Rehabilitation. Reduce Item 3790-001-392 by \$500,000.* Recommend deletion of \$500,000 from the State Parks and Recreation Fund requested for rehabilitation of Hearst San Simeon State Historic Monument because the expenditure can be supported from bond funds. 352
4. Concession Contracts. Recommend adoption of supplemental report language expressing approval of the department's proposals for three concession contracts. 352
5. Operating Agreements and Leases. Recommend adoption of supplemental report language expressing approval of the department's proposals for six operating agreements and two leases. 354

GENERAL PROGRAM STATEMENT

The Department of Parks and Recreation acquires, develops, preserves, interprets, and manages the natural, cultural and recreational resources in the state park system and in the State Vehicular Recreation Area and Trail System (SVRATS). New programs and projects for the state park system are undertaken with the advice or approval of the eight-member California State Park and Recreation Commission. The seven-member Off-Highway Motor Vehicle Recreation Commission is responsible for establishing general policies for the guidance of the department in the planning, development, operation and administration of the SVRATS.

In addition, the department administers state and federal grants to cities, counties, and special districts that help provide parks and open-space areas throughout the state.

The state park system consists of 277 units, including 40 units administered by local and regional park agencies. The system contains approximately 1.4 million acres of land with 292 miles of ocean and bay frontage and 684 miles of lake, reservoir, and river frontage. During 1989-90, more than 75 million visitations are anticipated at state parks and beaches

DEPARTMENT OF PARKS AND RECREATION—Continued

operated by the department. In addition, an unknown number of people will visit state parks and beaches operated by local and regional park agencies during the same period.

The SVRATS consists of approximately 62,500 acres in seven units. The department estimates that more than 1.4 million visitations to these units will occur during 1989-90.

In the current year, the department has 2,874.4 personnel-years.

OVERVIEW OF THE BUDGET REQUEST

The budget proposes expenditures for the Department of Parks and Recreation totaling \$221 million for support and local assistance in 1989-90. This is an increase of \$1.1 million, or 0.5 percent, from estimated current-year expenditures from all sources.

State Operations. The budget requests a total of \$161.4 million from the General Fund (\$83.1 million), various state funds (\$65.2 million), the Public Resources Account, Cigarette and Tobacco Products Surtax Fund (\$6.5 million), federal funds (\$1.7 million) and reimbursements (\$4.9 million) for support of the department in 1989-90. This is an increase of \$10.2 million, or 6.7 percent, above total estimated current-year support costs. The increase primarily reflects an augmentation to address deferred maintenance of park roads, additional staff and operating costs for new facilities, continuation of a radio equipment conversion project, and baseline adjustments to maintain the department's current level of activity.

Local Assistance. The department requests appropriations totaling \$60 million for local assistance grants in 1989-90. This amount consists of new appropriations totaling \$27.2 million and a carry-over of \$32.8 million in *direct* appropriations authorized by the 1988 California Wildlife, Coastal and Park Land Conservation Act (commonly known as Proposition 70).

The total amount proposed for local assistance in 1989-90 represents a *decrease* of \$9 million, or 13 percent, from estimated current-year expenditures for local assistance. This decrease primarily reflects (1) a reduction in the amounts remaining in the various bond funds that are available for appropriation and (2) current-year expenditure of carry-over balances for off-highway vehicle local assistance grants. In addition, the budget does not request any of the \$166 million in local assistance funds authorized under Proposition 70 for per capita and categorical grants programs. The Department of Finance indicates that the administration will request a portion of these funds in a budget amendment letter during the spring, after the department has processed the necessary grant applications from local agencies.

Program and Budget Change Summaries

Table 1 provides a summary of the department's expenditures, by program, for 1987-88 through 1989-90. As Table 1 indicates, the department requests a *net* increase of 1.2 personnel-years (PYs) in the budget year. This reflects the proposed addition of 44 new positions (29.2 PYs)—primarily to operate new park facilities, increase public access at existing facilities, and provide administrative services—which are offset by additional salary savings and other budget adjustments.

Table 1
Department of Parks and Recreation
Summary of Expenditures and Funding Sources
1987-88 through 1989-90
(dollars in thousands)

	Personnel-Years			Expenditures			Percent Change From 1988-89
	Actual 1987-88	Est. 1988-89	Prop. 1989-90	Actual 1987-88	Est. 1988-89	Prop. 1989-90	
Programs:							
Support:							
Statewide planning	24.2	24.0	24.7	\$1,301	\$1,264	\$1,409	11.5%
Acquisition	23.7	25.1	24.8	1,342	1,398	1,470	5.2
Property management	—	—	—	596	96	596	520.8
Facilities development	83.1	82.7	81.7	5,070	5,144	5,414	5.2
Resources preservation and interpre- tation	99.9	93.4	92.5	5,140	5,545	5,779	4.2
Historic preservation	21.0	20.8	20.7	1,080	1,135	1,189	4.8
Park system operation	2,345.2	2,308.9	2,310.8	118,024	126,322	135,198	7.0
Off-highway vehicle (OHV)	98.1	111.8	113.7	5,716	9,004	8,915	-1.0
Grants administration (non-OHV)	15.0	17.4	17.6	1,042	1,398	1,506	7.7
Departmental administration (costs distributed)	198.8	190.3	189.1	(17,292)	(16,526)	(17,078)	3.3
Subtotals, support	(2,909.0)	(2,874.4)	(2,875.6)	(\$139,311)	(\$151,306)	(\$161,476)	(6.7%)
Local Assistance:							
Local assistance grants	—	—	—	\$121,486	\$52,909	\$50,197	-5.1%
OHV local assistance grants	—	—	—	6,794	14,584	9,538	-34.6
Historic preservation grants	—	—	—	5,309	1,505	215	-85.7
Subtotals, local assistance	—	—	—	(\$133,589)	(\$68,998)	(\$59,950)	(-13.1%)
Totals	2,909.0	2,874.4	2,875.6	\$272,900	\$220,304	\$221,426	0.5%
Funding Sources							
General Fund				\$77,888	\$79,645	\$83,124	4.4%
State Parks and Recreation Fund (SPRF)				45,300	49,655	48,200	-2.9
Fines and Forfeitures Account, SPRF				333	276	350	26.8
Public Resources Account, Cigarette and Tobacco Products Surtax Fund... ..				—	—	6,494	^a
Special Account for Capital Outlay				18,596	2,369	—	-100.0
Environmental License Plate Fund				450	1,480	300	-79.7
Off-Highway Vehicle Fund				12,510	22,775	18,453	-19.0
Winter Recreation Fund				90	98	88	-10.2
Roberti-Z'berg-Harris Urban Open-Space and Recreation Program Account				—	—	7,900	^a
Harbors and Watercraft Revolving Fund				325	332	349	5.1
Bond funds				106,218	53,909	47,291	-12.3
Federal funds				3,415	4,998	3,950	-21.0
Reimbursements				7,775	4,767	4,927	3.4

^a Not a meaningful figure.

Table 2 identifies, by funding source, proposed budget changes for the department for 1989-90. As shown in Table 2, the budget proposes funding most of the department's significant workload adjustments and program changes from the State Parks and Recreation Fund (SPRF) and the Public Resources Account, Cigarette and Tobacco Products Surtax Fund (PRA).

DEPARTMENT OF PARKS AND RECREATION—Continued

Table 2

**Department of Parks and Recreation
Proposed 1989-90 Budget Changes, by Fund
(dollars in thousands)**

	General Fund	State Parks and Recreation Fund	Off-high- way Vehicle Fund	Various Park Bond Funds	Various Other Funds ^a	Reimburse- ments	Totals
1988-89 Expenditures (Revised)	\$79,645	\$49,655	\$22,775	\$53,909	\$9,553	\$4,767	\$220,304
<i>Baseline Adjustments</i>							
One-time costs in 1988-89	-806	-3,089	-635	-1,117	-2	—	-5,649
Pro rata adjustment	—	—	-13	—	1	—	-12
Full-year costs of 1988-89 programs ..	—	19	501	—	—	—	520
Full-year costs of 1988-89 salary and benefit increases	4,285	500	322	191	81	102	5,481
Price increase	—	515	116	78	20	58	787
Subtotals, baseline adjustments	(\$3,479)	(-\$2,055)	(\$291)	(-\$848)	(\$100)	(\$160)	(\$1,127)
<i>Workload and Administrative Changes</i>							
Staffing and operation of new facili- ties	—	1,322	\$204	—	\$675	—	\$2,201
New administrative positions	—	—	53	\$259	—	—	312
Increased road maintenance	—	—	—	—	4,800	—	4,800
Point Sur State Historic Park tour guide	—	35	—	—	19	—	54
Funding realignment	—	-1,257	—	994	263	—	—
Subtotals, workload and adminis- trative changes	(—)	(\$100)	(\$257)	(\$1,253)	(\$5,757)	(—)	(\$7,367)
<i>Program Changes</i>							
Radio equipment conversion	—	—	—	—	\$1,000	—	\$1,000
Off-highway vehicle (OHV) equip- ment replacement	—	—	\$76	—	—	—	76
California OHV guidebook	—	—	100	—	—	—	100
Hearst rehabilitation	—	\$500	—	—	—	—	500
Local assistance grants	—	—	-5,046	-\$39,823	3,021	—	-41,848
Carry-over of 1988 Bond Act direct appropriations	—	—	—	32,800	—	—	32,800
Subtotals, program changes	(—)	(\$500)	(-\$4,870)	(-\$7,023)	(\$4,021)	(—)	(-\$7,372)
1989-90 Expenditures (Proposed)	\$83,124	\$48,200	\$18,453	\$47,291	\$19,431	\$4,927	\$221,426
Change from 1988-89:							
Amount	\$3,479	-\$1,455	-\$4,322	-\$6,618	\$9,878	\$160	\$1,122
Percent	4.4%	-2.9%	-19.0%	-12.3%	103.4%	3.4%	0.5%

^a Special Account for Capital Outlay; Environmental License Plate Fund; Harbors and Watercraft Revolving Fund; Winter Recreation Fund; State Parks and Recreation Fund; Fines and Forfeitures Account; Roberti-Z'berg-Harris Urban Open-Space and Recreation Program Account; Public Resources Account, Cigarette and Tobacco Products Surtax Fund; and federal funds.

ANALYSIS AND RECOMMENDATIONS

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

- Increases from the PRA of: (1) \$4.8 million for additional park road maintenance and special repair; (2) \$1 million for the fifth year of a seven-year project to convert the department's low-band radio system in order to improve field communications; and (3) \$587,000

for the purchase of miscellaneous equipment for new developments in various park units. (For a general discussion of the budget's requests from the PRA, please see Item 0540.)

- An increase of \$140,000 from the 1988 park bond fund and two PYs (two-year limited term) for administration of local assistance grant programs authorized by Proposition 70.
- An increase of \$78,000 from the 1988 park bond fund and one PY (two-year limited term) for coordination of the statewide recreational trails system plan.
- Increases from the Off-Highway Vehicle (OHV) Fund of: (1) \$204,000 for operation and maintenance of a new OHV development and a new OHV acquisition; (2) \$100,000 to produce a state OHV guidebook (as required by Ch 994/82); and (3) \$76,000 for the replacement of worn-out equipment.

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

- All proposed new funds for local assistance grants totaling \$27.2 million from the Environmental License Plate Fund, the OHV Fund, the Community Parklands (1986 Bond) Fund, the 1980 Parklands (Bond) Fund, the Roberti-Z'berg-Harris Urban Open-Space and Recreation Program Account (transferred from the PRA), and federal funds.
- Reversions in Item 3790-496 totaling \$80,000 in unspent local assistance funds from nine completed or canceled OHV projects.

More Information Needed on State Park System Staffing Levels

We recommend that the Legislature adopt supplemental report language directing the department to collect data that can be used to assess the need for additional field operations staff.

As shown in Table 1, the vast majority of the department's proposed staff in 1989-90—about 80 percent—is specifically for operation of the state park system. These field staff provide the services of the department that are most familiar to park visitors, including: public safety, interpretive programs, resource management and protection, and maintenance. In recent years, however, staff increases have not kept pace with increased visitation at the parks. Similarly, the physical expansion and development of the system has outpaced staffing increases for services to park units over the years.

Chart 1 displays the trends in field staff, park visitation and total system acreage over the past 10 years. As the chart indicates, there is a significant gap between staffing increases and the increases in visitations and acreage over the 10-year period.

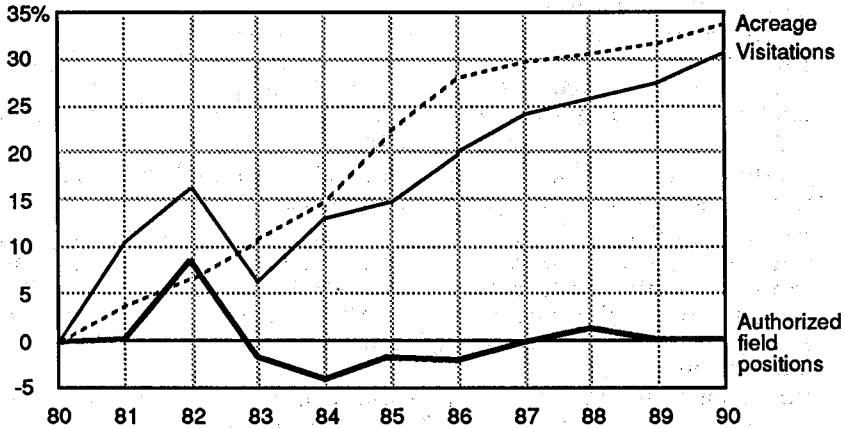
There are two main reasons for this gap. First, statewide budget constraints in past years have greatly limited the department's ability to obtain additional staff to operate new parks and new park facilities. Although the system generates revenues that are used to defray the costs of operation, it is not self-financing and still relies on the General Fund for about 60 percent of operations support.

Second, despite the constraints on support expenditures, bond funds and other special funds usually have been available for capital outlay purposes in the system, such as property acquisition and facilities development. Proposition 70, the most recent of the park bond acts, alone

DEPARTMENT OF PARKS AND RECREATION—Continued

Chart 1

Trends In State Park System Cumulative Percent Change 1979-80 through 1989-90^a



^a Source: Governor's Budget. Data are for fiscal years ending in years shown. Data are estimated for 1988-89, projected for 1989-90.

provides over \$140 million for state parks capital outlay. As a result, the department's ability to acquire and develop property for the system has far exceeded its ability to provide additional staff to operate new and even existing facilities.

In some cases, the department has not been able to make fully available to the public property it has acquired for the system due to a lack of staff resources. In previous years, we have raised concerns about the department's slow pace in opening new units to the public. For instance, the department acquired the Burleigh Murray Ranch property in San Mateo County in 1983, but had to keep the unit on "caretaker" status—with virtually no public access—until funds for staffing the unit became available (we discussed this issue on page 436 of our *Analysis of the 1987-88 Budget Bill*). Last year, the department requested funds for two new positions (to be shared among Burleigh Murray and two other units nearby), which were appropriated in the 1988 Budget Act. The new staff allow for only minimal patrol and maintenance of the property.

The overall problem has been magnified by the way in which the department determines its needs for expanded staffing. Each year the department requests staff for newly acquired lands or newly completed developments funded by the Legislature in previous years. These requests generally are supported by documentation prepared by park district superintendents, who are most familiar with the operation and needs of specific units. The department, however, does not have explicit staffing standards for the various types of park units, nor does it compile

a comprehensive staffing estimate based on all of its planned acquisition and development projects. 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 system-wide staffing request and the system's overall staffing needs. As a result, legislative approval of staff for individual park units occurs outside a framework of staffing priorities for the entire park system.

We believe that a better picture is needed of the department's overall field staffing needs, so that the Legislature (1) is able to take appropriate steps to prevent understaffing problems from occurring and (2) can evaluate requests for increased staffing at individual park units relative to system-wide staffing priorities. We therefore recommend that the Legislature adopt the following supplemental report language (in Item 3790-001-001) directing the department to collect and integrate the park staffing data produced at the district level, so that the department can set staffing priorities system-wide and provide a consistent staffing policy to district superintendents:

1. The department shall collect data from the district superintendents on staffing needs in all park units currently planned or operated by the state, and shall compile this data in order to set staffing policies and priorities for the state park system. The department shall report to the chairs of the fiscal committees and the Joint Legislative Budget Committee on its findings from the data, including staff functions and park units identified as significantly understaffed, by November 1, 1989, and on its subsequent policies and priorities by March 1, 1990.

Delays in Projects Postpone the Need for New Staff

We recommend reductions totaling \$356,000 from the State Park and Recreation Fund and the Public Resources Account and the deletion of 4.2 personnel-years because delays in the completion of certain development projects have postponed the need for these funds and staff. (Reduce Item 3790-001-392 by \$249,000 and Item 3790-001-235 by \$107,000.)

The budget requests an additional 21.3 PYs and \$1.4 million from the SPRF to staff and operate new state park day-use, camping and support facilities in 1989-90. In addition, the budget proposes one-time expenditures totaling \$694,000 from the Public Resources Account (PRA) for equipment purchases for these new facilities. The ongoing annual costs of staffing these properties will be approximately \$1.9 million and 34 PYs. The ongoing costs increase because some of the new positions and operating expenses will not be needed until new facilities open later in the budget year.

Our review indicates that the department is requesting staff and associated operating expenses for new facilities at two park units where delays in the development of the new facilities will postpone the need for those positions. Accordingly, we recommend reductions totaling \$356,000 and 4.2 PYs for the units, as detailed below.

San Onofre State Beach. The budget requests \$166,000 from the SPRF for staff (3.2 PYs) and associated operating expenses, and \$62,000 from the PRA for new equipment to operate and maintain a new campground, beginning in March 1990. According to the department, however, the campground will not be completed in the budget year. Accordingly, we recommend deletion of \$166,000 from the SPRF, \$62,000 from the PRA and 3.2 PYs.

DEPARTMENT OF PARKS AND RECREATION—Continued

South Carlsbad State Beach. The budget requests \$83,000 from the SPRF for staff (one PY) and operating expenses, and \$45,000 from the PRA for new equipment to operate and maintain new day-use and administrative facilities, beginning in March 1990. According to the department, however, the developments will not be completed in the budget year. Accordingly, we recommend deletion of \$83,000 from the SPRF, \$45,000 from the PRA and one PY.

Request for Hearst San Simeon Rehabilitation Funds Is Unnecessary

We recommend deletion of \$500,000 from the State Parks and Recreation Fund requested for rehabilitation of Hearst San Simeon State Historic Monument because the expenditure can be supported from bond funds. (Reduce Item 3790-001-392 by \$500,000.)

The budget requests \$500,000 from the SPRF for "continuing rehabilitation" of Hearst San Simeon State Historic Monument (SHM) in 1989-90. This work includes restoration of building exteriors, interior and exterior painting, and rehabilitation of the terraces, main towers, and the Roman Pool. Traditionally, the work has been funded in the department's capital outlay program: in the 18 years from 1971-72 through 1988-89, a total of approximately \$7.4 million was appropriated for various rehabilitation work at Hearst San Simeon SHM. The department reports that this project was shifted to the support program in 1989-90 because of its ongoing nature.

The proposal to continue this project appears reasonable. However, our review indicates that the project has been budgeted appropriately as capital outlay in past years, and thus should not be shifted to the department's support budget in 1989-90. Furthermore, in November 1988 the department also nominated the project for possible funding from Proposition 70's allocation of \$5 million for rehabilitation of historical resources of the state park system. If the department considers the Hearst project a priority, it will include the project in a priority list, required by Proposition 70, and in the accompanying request for 1988 park bond fund appropriations. The priority list is due to the Legislature by March 1, and the funding request should follow shortly thereafter in a budget amendment letter. The Legislature then can appropriate bond funds for the project in the department's capital outlay budget pursuant to Proposition 70, if it considers the project a priority. (For a further discussion of the 1988 bond act funding process, please see our analysis of the department's capital outlay request in Item 3790-301.) Accordingly, we recommend a reduction of \$500,000 from the SPRF requested for rehabilitation of Hearst San Simeon SHM.

State Park Concession Contracts

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

The Public Resources Code generally authorizes the department to contract for the operation of concessions within the park system. The department is required to prepare an annual report on its concession operations. Table 3 summarizes the findings of the department's draft 1987-88 annual concessions report.

Table 3
Department of Parks and Recreation
Summary of Concession Operations
1986-87 and 1987-88
(dollars in thousands)

	1986-87	1987-88	Change from 1986-87	
			Amount	Percent
Number of concession contracts.....	140	172	32	23%
Gross sales.....	\$41,733	\$46,612	\$4,879	12
Revenue to the state.....	\$3,956	\$4,607	\$651	16

As shown in Table 3, revenues to the state increased by \$651,000, or 16 percent, from 1986-87 to 1987-88. Two concessions accounted for 54 percent of the rental revenues to the state in 1987-88: (1) ARA Food Service at Hearst San Simeon State Historic Monument (\$1.8 million) and (2) Bazaar del Mundo in Old Town San Diego State Historic Park (\$733,000).

New Concession Proposals. Public Resources Code Section 5080.20 requires that, as part of the budget process, the Legislature review and approve any proposed new or amended concession contract that involves a total investment or estimated annual gross sales in excess of \$250,000. Traditionally, the Legislature expresses its approval by adopting supplemental report language describing each approved concession. The department has submitted three proposals for legislative review.

Our analysis indicates that the department's concession proposals are reasonable and that the rental terms are appropriate. Accordingly, we recommend that the Legislature adopt supplemental report language expressing approval of these 1989-90 concession proposals:

1. **Marina State Beach (SB)—Hang Gliding Center.** The department proposes to bid a new five-year contract for the existing hang gliding concession at Marina State Beach in Monterey County. The proposed contract requires a minimum acceptable rent of 10 percent of monthly gross receipts. At the time this analysis was prepared, the department was awaiting Public Works Board approval of its request to negotiate a contract of up to one year with the existing concessionaire, with a minimum rent of 5 percent of monthly gross receipts. Without this interim contract, the state would continue to receive monthly rent at the current rate of only 1 percent, until the department successfully bids the proposed five-year contract.

2. **Old Sacramento State Historic Park (SHP)—Railroad Museum Gift Shop and Book Store.** The department proposes to negotiate a five-year concession contract for the State Railroad Museum gift shop and specialty book store in Old Sacramento SHP. Under Public Resources Code Section 5080.16(d), the department may suspend the usual bid process and negotiate directly with potential concessionaires when a particular interpretive purpose requires special experience or skills. The proposal appears to be consistent with this provision since possible concessionaires must have railroad expertise and must be able to provide interpretive support to the museum. The department estimates that implementing the contract will require the concessionaire to invest about \$100,000 for initial costs. Based on projected first-year gross sales of \$360,000 and a minimum rental rate of 3 percent of gross sales, the department's estimated minimum annual rent revenues are \$11,000.

DEPARTMENT OF PARKS AND RECREATION—Continued

3. *Will Rogers SHP—Polo Club.* The department proposes to bid a new five-year concession contract for the existing interpretive equestrian concession at Will Rogers SHP in Los Angeles County. Although there is no approved general development plan for this unit, this concession is consistent with the horse management plan that the State Park and Recreation Commission approved in 1979. The plan includes the continuation of polo matches and exhibitions as part of the interpretive presentation of the life of Will Rogers. The proposed contract requires a minimum acceptable rent of 15 percent of the first \$100,000 and 20 percent of monthly gross sales over \$100,000. Since estimated annual gross sales are \$317,000 in the first year, the estimated minimum annual rent revenues are \$58,400.

State Park Operating Agreements and Leases

We recommend that the Legislature adopt supplemental report language expressing approval of the department's six proposed operating agreements and two proposed leases.

Many state park units are operated and maintained by local public agencies or nonprofit corporations through operating agreements with the department. Section 18.10 of the annual Budget Act requires the department to submit to the Legislature, as part of its annual budget request, all proposed new or amended operating agreements. (The budget proposes to delete this control section in 1989-90. In our analysis of Section 18.10, we recommend its restoration.) In addition, the department may *lease* property within state park units for any use, if the use is compatible with the management of the unit's park resources. Public Resources Code Section 5003.17 requires that, as part of the budget process, the Legislature review and approve any proposed new lease of state park property.

As with proposed concession contracts, the Legislature traditionally expresses its approval of these proposals by adopting supplemental report language describing each approved operating agreement or lease. The department has submitted six proposed operating agreements and two proposed leases for legislative review.

Operating Agreement Proposals. Our analysis indicates that the department's proposed operating agreements are reasonable. Accordingly, we recommend that the Legislature adopt supplemental report language expressing approval of these 1989-90 proposed agreements:

1. *Malibu Bluffs Project—Day-Use Park.* The department proposes to enter into a five-year operating agreement with the County of Los Angeles for continued development, operation and maintenance of a 30-acre portion of the state-owned Malibu Bluffs Project. This agreement essentially would duplicate the existing five-year agreement expiring in December 1989 that the department entered into in accordance with Ch 1616/82. The county already has largely completed the first of three development phases, including sports fields, parking and utilities, and intends to complete the development by 1991-92. The completed park will include picnic areas, trails, and an interpretive community center.

2. *Carlsbad State Beach—City Park and Parking Lot.* The department proposes to enter into a 20-year operating agreement with the City of Carlsbad for a small portion of Carlsbad SB. Under the proposed agreement, the city would redesign an existing parking lot and create a

city park on an unused area. These improvements would be compatible with the unit's general plan. The department estimates that this development would cost about \$220,000. The city would pay these, as well as any ongoing, costs. The proposed agreement also provides the city with a 20-year renewal option, subject to the department's approval.

3. **Tahoe State Recreation Area (SRA)—Deletion of Parcel.** The department proposes to amend an existing operating agreement with the Tahoe City Public Utility District for the development, operation and maintenance of the Tahoe SRA. The proposed amendment would delete from the agreement a 0.84-acre parcel that the department disposed of in accordance with Ch 1266/82.

4. **Kenneth Hahn SRA—Addition of Parcels.** The department proposes to amend an existing operating agreement with the County of Los Angeles for the development, operation and maintenance of Kenneth Hahn SRA (formerly Baldwin Hills SRA). The proposed amendment would add to the agreement about 56 acres of property that the department recently acquired as a gift from the county for addition to this park unit.

5. **Castaic Lake SRA—Deletion of Parcel.** The department proposes to amend an existing operating agreement with the County of Los Angeles for the development, operation and maintenance of Castaic Lake SRA. The proposed amendment would delete from the agreement the Vista Ridge area. This area is made up of about 29 acres of federal property that had been proposed as a campground site but that now are being returned to the control of the U.S. Forest Service.

6. **Oxnard SB—Addition of Parcel.** The department proposes to amend an existing operating agreement with the City of Oxnard for the operation and maintenance of Oxnard SB. The proposed amendment would add to the agreement about 36 acres of property that the department is acquiring for addition to this park unit.

Lease Proposals. Our analysis indicates that the department's proposed leases are reasonable. Accordingly, we recommend that the Legislature adopt supplemental report language expressing approval of these 1989-90 proposed leases:

1. **Palomar Mountain SP—Microwave Facilities.** The department proposes to enter into a five-year lease with AT&T Communications of California, Inc. for the use of about one acre within Palomar Mountain SP for microwave facilities. Under a prior lease, these facilities have been on this site since 1951. AT&T now occupies the site on a month-to-month basis until the proposed lease is approved. The department proposes a rent of \$5,000 per month and a requirement that AT&T provide specified improvements to the park, at the company's expense, that would reduce the impact of its facilities on the park. Furthermore, the proposed lease requires that AT&T relocate its facilities to a site outside the park, preferably within the five-year term of the lease. The proposed lease also provides the company with a five-year renewal option, if it cannot relocate its facilities within this time. In this case, the monthly rental would be increased for inflation and the company would be required to provide additional specified park improvements.

2. **Mount Diablo SP—Microwave Facilities.** The department proposes to enter into a five-year lease with AT&T Communications of California, Inc. for the use of about one acre within Mount Diablo SP for microwave facilities. The site has been leased for such facilities since 1949. The terms

DEPARTMENT OF PARKS AND RECREATION—Continued

of the proposed lease are substantially the same as the ones proposed for Palomar Mountain SP, with a proposed rent of \$8,000 per month and contributions to the department's visitor center project.

Resources Agency**SANTA MONICA MOUNTAINS CONSERVANCY**

Items 3810 and 3810-490 from
the General Fund and other
funds

Budget p. R 175

Requested 1989-90	\$682,000
Estimated 1988-89	614,000
Actual 1987-88	558,000
Requested increase (excluding amount for salary increases) \$68,000 (+11 percent)	
Total recommended reduction	None

1989-90 FUNDING BY ITEM AND SOURCE

Item—Description	Fund	Amount
3810-001-001—Support	General	\$207,000
3810-011-786—Support	California Wildlife, Coastal and Park Land Conservation (Bond)	47,000
3810-011-941—Support	Santa Monica Mountains Con- servancy	388,000
3810-490-786—Reappropriation, project planning and design	California Wildlife, Coastal and Park Land Conservation (Bond)	(153,000)
Reimbursements	—	40,000
Total		\$682,000

GENERAL PROGRAM STATEMENT

Chapter 1087, Statutes of 1979, established the Santa Monica Mountains Conservancy (SMMC) and assigned to it the responsibility for implementing the land acquisition program in the Santa Monica Mountains that was prepared by its predecessor, the Santa Monica Mountains Comprehensive Planning Commission. The conservancy is scheduled to sunset on July 1, 1990.

The conservancy purchases lands and provides grants to state and local agencies and nonprofit organizations to further the purposes of the federal Santa Monica Mountains Comprehensive Plan. It promotes the objectives of these programs by (1) acquiring and consolidating subdivided land, (2) acquiring land for eventual sale or transfer to other public agencies, (3) creating buffer zones surrounding federal and state park sites, and (4) restoring natural resource areas. The conservancy has a governing board of nine voting members.

The conservancy, located in Los Angeles, has 9.2 personnel-years in the current year.

ANALYSIS AND RECOMMENDATIONS

We recommend approval.

The budget requests a total of \$682,000 from the General Fund (\$207,000), the Santa Monica Mountains Conservancy Fund (\$388,000), the California Wildlife, Coastal and Park Land Conservation (Bond) Fund of 1988 (\$47,000) and reimbursements (\$40,000) for support of the conservancy in 1989-90. Table 1 shows the conservancy's program funding and staffing for the past, current and budget years. As shown in Table 1, the requested amount is \$68,000, or 11 percent, more than estimated current-year expenditures.

Table 1
Santa Monica Mountains Conservancy
Summary of Expenditures and Funding Sources
1987-88 through 1989-90
(dollars in thousands)

	<i>Expenditures</i>			<i>Percent Change From 1988-89</i>
	<i>Actual 1987-88</i>	<i>Est. 1988-89</i>	<i>Prop. 1989-90</i>	
Operating expenditures.....	\$558	\$614	\$682	11.1%
Staff (personnel-years).....	8.5	9.2	10.2	10.9
Funding Sources				
<i>General Fund</i>	\$247	\$199	\$207	4.0%
<i>Santa Monica Mountains Conservancy Fund</i>	296	375	388	3.5
<i>California Wildlife, Coastal and Park Land Conservation (Bond) Fund of 1988</i>	—	—	47	^a
<i>Reimbursements</i>	15	40	40	—

^a Not a meaningful figure.

The budget proposes an increase of \$47,000 in bond funds for a one-year limited term position and operating costs to administer the conservancy's nonprofit grants program in 1989-90. The 1988 Budget Act appropriated \$5 million to the conservancy for this program. These funds were allocated in the California Wildlife, Coastal and Park Land Conservation (Bond) Act of 1988 (Proposition 70). In prior years, the conservancy contracted for the administration of the program at an annual cost of about \$75,000.

The budget also proposes a reappropriation of \$153,000 from Proposition 70 bond funds in the conservancy's capital outlay budget for project planning and design. The reappropriation appears reasonable, given that the conservancy will continue to fund associated capital outlay projects during the budget year.

The budget does not include any *new* funding for capital outlay projects. However, the 1988 Budget Act provided \$24.7 million for capital outlay and grants projects pursuant to Proposition 70, and the conservancy expects a carryover balance of about \$15 million for these purposes in 1989-90. The conservancy also indicates that funds from the Santa Monica Mountains Conservancy Fund—its revolving fund—*may* be available for new acquisitions in the budget year if it can sell some current conservancy holdings.

Resources Agency

SAN FRANCISCO BAY CONSERVATION AND DEVELOPMENT COMMISSION

Item 3820 from the General
Fund and Outer Continental
Shelf Lands Act 8(g) Revenue
Fund

Budget p. R 178

Requested 1989-90	\$1,857,000
Estimated 1988-89	1,754,000
Actual 1987-88	1,604,000
Requested increase (excluding amount for salary increases) \$103,000 (+5.9 percent)	
Total recommended reduction	None

1989-90 FUNDING BY ITEM AND SOURCE

Item—Description	Fund	Amount
3820-001-001-Support	General	\$1,622,000
3820-001-164-Support	Outer Continental Shelf Lands Act 8(g) Revenue	35,000
Reimbursements	-	200,000
Total		\$1,857,000

GENERAL PROGRAM STATEMENT

The San Francisco Bay Conservation and Development Commission (BCDC) was created by the Legislature in 1965. The commission consists of 27 members representing citizens and all levels of government in the Bay Area. The BCDC implements and updates the San Francisco Bay Plan and the Suisun Marsh Protection Plan. Under these plans, the BCDC regulates:

1. All filling and dredging activities in the San Francisco, San Pablo, and Suisun Bays including specified sloughs, creeks, and tributaries.
2. Changes in the use of salt ponds and other "managed wetlands" adjacent to the bay.
3. Significant changes in land use within the 100-foot strip inland from the bay.

The BCDC is located in San Francisco and has 26.2 personnel-years in the current year.

ANALYSIS AND RECOMMENDATIONS*We recommend approval.*

The budget proposes total expenditures of \$1,857,000 for support of the BCDC in 1989-90. This is an increase of \$103,000, or 5.9 percent, from total estimated current-year expenditures. Proposed expenditures include \$1.6 million from the General Fund, \$35,000 from the federal Outer Continental Shelf Lands Act 8(g) Revenue Fund, and \$200,000 in reimbursements. The reimbursements received by the BCDC are from federal Coastal Zone Management Act (CZMA) funds allocated by the Coastal Commission. The Coastal Commission is the single state agency designated to receive CZMA funds.

The \$103,000 increase in the BCDC's 1989-90 budget consists of: (1) \$30,000 for computer hardware and (2) \$73,000 in administrative adjustments. Our analysis indicates that the budget request for the BCDC appears reasonable and is consistent with its statutory mandates.

Resources Agency DEPARTMENT OF WATER RESOURCES

Item 3860 from the General
Fund and various funds

Budget p. R 180

Requested 1989-90	\$902,940,000
Estimated 1988-89	813,656,000
Actual 1987-88	590,077,000
Requested increase (excluding amount for salary increases) \$89,284,000 (+11.0 percent)	
Total recommended reduction	46,771,000
Recommendation pending	381,000

1989-90 FUNDING BY ITEM AND SOURCE

Item—Description	Fund	Amount
3860-001-001—Support	General	\$33,650,000
3860-001-140—Trinity River fish and wildlife restoration, urban streams flood manage- ment	Environmental License Plate	846,000
3860-001-176—Delta flood protection	Delta Flood Protection	1,360,000
3860-001-740—Water conservation	1984 Clean Water Bond	29,000
3860-001-744—Water conservation, groundwater recharge	1986 Water Conservation and Water Quality Bond	434,000
3860-001-790—Water conservation	1988 Water Conservation Bond	134,000
3860-001-890—Support	Federal Trust	1,491,000
3860-001 940—Water conservation	Renewable Resources Invest- ment	2,165,000
Water Code Section 13861(a)—Support	Safe Drinking Water Bond	2,303,000
Reimbursements	—	6,541,000
Subtotal, support		(\$48,953,000)
3860-101-001—Local assistance flood control sub- ventions	General	13,000,000
3860-101-176—Local assistance Delta flood pro- tection	Delta Flood Protection	10,640,000
3860-101-744—Water conservation, groundwater recharge loans	1986 Water Conservation and Water Quality Bond	26,250,000
3860-101-790—Water Conservation Loans	1988 Water Conservation Bond	15,808,000
3860-490—Reappropriation	1984 Clean Water Bond	2,400,000
Water Code Section 13861(a)—Safe Drinking Water loans and grants	Safe Drinking Water Bond	98,050,000
Water Code Sections 5900-5907—Local Assis- tance urban streams grants	1988 California Wildlife, Coastal and Parkland	800,000
Subtotal, local assistance		(\$166,948,000)
State Water Project		\$687,039,000
Total		\$902,940,000

DEPARTMENT OF WATER RESOURCES—Continued**SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS**

	<i>Analysis page</i>
1. <i>State Water Project (SWP) Reserve. Add Item 3860-001-144 in the amount of \$43.7 million.</i> Recommend adoption of Budget Bill language requiring transfer of \$43.7 million from the SWP operating reserve to the California Water Fund (CWF) for appropriation by the Legislature.	365
2. State Water Project Interest Calculations. Recommend the department report at hearings on the amount the SWP would owe the California Water Fund if interest costs were applied to the project's debt obligation.	366
3. State Water Project Cost Allocation. Recommend the department report at hearings concerning resources necessary to review and revise its methodology for allocating recreation and wildlife enhancement costs to the General Fund.	367
4. <i>San Joaquin Valley Drainage Reduction Program. Reduce Item 3860-001-001 by \$1,466,000.</i> Recommend elimination of General Fund support because these costs traditionally are paid for by the SWP.	368
5. Drought Funding. Recommend the department report at hearings regarding the prospects of a continued drought, and resource needs for drought-related activities.	369
6. <i>Irrigation Management—CIMIS Program. Decrease Item 3860-001-001 by \$1.6 million and increase reimbursements by the same amount.</i> Recommend deletion of \$1.6 million of General Fund support for statewide implementation of the California Irrigation Management and Information System (CIMIS) because these costs should be fee supported. Further recommend the department report prior to budget hearings on a fee schedule to support the CIMIS.	369
7. California-Nevada Water Allocation. Withhold recommendation on \$381,000 requested in Item 3860-001-001 for support of shared basin water litigation and negotiations pending receipt of detailed workload information.	370
8. <i>Technical Budgeting. Reduce Item 3860-001-176 by \$77,000 and increase Item 3860-001-001 by \$72,000 to correct for misallocated departmental indirect costs.</i>	371

GENERAL PROGRAM STATEMENT

The Department of Water Resources (DWR) (1) protects and manages California's water resources, (2) implements the State Water Resources Development System, including the State Water Project, (3) maintains public safety and prevents damage through flood control operations, supervision of dams, and safe drinking water projects, and (4) furnishes technical services to other agencies.

The California Water Commission, consisting of nine members appointed by the Governor and confirmed by the Senate, serves in an advisory capacity to the department and the director.

The Reclamation Board, which is within the department, consists of seven members appointed by the Governor. The board has various responsibilities for the construction, maintenance and protection of flood control levees within the Sacramento and San Joaquin River Valleys. The department has 2,652 personnel-years in the current year.

OVERVIEW OF THE BUDGET REQUEST

The budget proposes total expenditures of \$903 million in 1989-90, an increase of \$89.3 million, or 11 percent, from estimated expenditures in the current year. The total includes \$687 million in expenditures financed with State Water Project (SWP) funds, and \$101 million in other continuously appropriated funds (primarily bond funds for drinking water loans and grants). Appropriations in the Budget Bill provide the remaining \$115 million. Our figure for total expenditures, however, *excludes* \$1.1 million for flood control capital outlay, which the Governor's Budget shows as part of total expenditures. We address the capital outlay budget separately in our analysis of Item 3860-301.

Table 1 summarizes the staffing and expenditures for the department from 1987-88 through 1989-90. Table 2 shows the department's proposed budget changes, by funding source, in 1989-90.

Table 1
Department of Water Resources
Budget Summary^a
1987-88 through 1989-90
(dollars in thousands)

	Personnel-Years			Expenditures			Percent Change From 1988-89
	Actual 1987-88	Est. 1988-89	Prop. 1989-90	Actual 1987-88	Est. 1988-89	Prop. 1989-90	
<i>Programs:</i>							
Continuing formulation of the California Water Plan	160.8	193.7	195.3	\$25,926	\$52,808 ^c	\$66,954 ^b	26.8%
Implementation of the State Water Resources Development System	1,482.6	1,517.9	1,521.0	514,336	650,786	687,469	5.6
Public safety and prevention of damage (flood control) and dam safety	227.0	250.2	247.5	46,279	105,845 ^c	143,926	36.0
Services	214.0	213.9	210.0	3,536	4,217	4,591	8.9
Management and administration (distributed)	446.4	476.2	485.8	(34,389)	(35,925)	(41,527)	15.6
Totals	2,530.8	2,651.9	2,659.6	\$590,077	\$813,656 ^c	\$902,940	11.0%
<i>Funding Sources</i>							
General Fund				\$30,627	\$28,834	\$46,650	61.8%
Special Account for Capital Outlay				16,456	13,083	—	-100.0
Environmental License Plate Fund				499	745	846	13.6
California Water Fund				3,822	4,487	—	-100.0
Delta Flood Protection Fund				—	5,994	12,000	100.2
Clean Water Bond Fund				5,870	1,845	2,429	31.7
1986 Water Conservation and Water Quality Bond Fund				424	28,925	26,684	-7.7
1988 Water Conservation Bond Fund				—	—	15,942	— ^d
Safe Drinking Water (Bond) Fund				10,861	68,175	89,399	31.1
1988 Safe Drinking Water (Bond) Fund				—	—	10,954	— ^d
1988 California Wildlife, Coastal and Parkland (Bond) Fund				—	800	800	—
Renewable Resources Investment Fund				1,375	2,054	2,165	5.4
Federal Trust Fund				752	1,790	1,491	-16.7
Reimbursements				4,885	6,951 ^c	6,541	5.9
Subtotals, excludes state water project funds				(\$75,571)	(\$163,683) ^c	(\$215,901)	(31.9%)
State water project				\$514,506	\$649,973	\$687,039	5.7

^a Excludes flood control capital outlay.

^b Includes proposed unallocated reduction of \$1 million.

^c Includes \$830,000 in reimbursements incorrectly excluded from Governor's Budget display.

^d Not a meaningful figure.

DEPARTMENT OF WATER RESOURCES—Continued

Table 2
Department of Water Resources
Proposed 1989-90 Budget Changes
(dollars in thousands)

	General Fund	Calif. Water Fund	Bond Fund	State Water Project Funds	Federal Other Special Funds	Funds and Reim- bursements	Totals
1988-89 Expenditures (Revised)	\$28,834	\$4,487	\$99,745	\$649,973	\$21,876	\$8,741 ^a	\$813,656
Proposed Changes:							
<i>Workload and Administrative Adjust- ments:</i>							
Salary and staff benefit adjustments ..	1,008	93	52	5,185	105	220	6,663
Price increase	—	31	14	1,085	26	12	1,168
Deletion of one-time expenditures ..	-715	—	—	—	-521	-830	-2,066
Miscellaneous workload changes	5	—	-13	-1,255	2	—	-1,261
Miscellaneous baseline changes	86	—	-14	233	—	—	305
Baseline adjustments	—	—	—	1,385	-46	-20	1,319 ^a
Reallocation of indirect costs	-151	—	-77	-36	-11	-12	-287
Unallocated reduction	-1,000	—	—	—	—	—	-1,000
Restoration of decreased funding	—	—	—	—	354	—	354
Subtotals, workload and adminis- trative adjustments	(-\$767)	(\$124)	(-\$38)	(\$6,597)	(-\$91)	(-\$630)	(\$5,195)
<i>State Water Project (SWP) Program Changes</i>	—	—	—	\$30,536	—	\$80	\$30,616
<i>Program Changes</i>							
Continue flood control studies on the American and Sacramento Rivers	\$450	—	—	—	—	140	590
Participate in federal Sacramento metropolitan area flood control study	300	—	—	—	—	—	300
Assume responsibility for costs of Maintenance Area 15	35	—	—	—	—	—	35
Increase data collection efforts on California/Nevada water alloca- tion issues	381	—	—	—	—	—	381
Increase Trinity River management program	—	—	—	—	\$182	—	182
Reduce level of San Joaquin Valley Drainage Reduction Program ac- tivities	—	-\$267	—	—	—	—	-267
Shift funding for California Water Fund activities	4,344	-4,344	—	—	—	—	—
Increase administrative personnel for various programs	63	—	—	\$278	44	—	385
Provide maintenance costs for flood operations computer	10	—	—	—	—	—	10
Transfer flood control subvention funding to the General Fund from SAFCO	13,000	—	—	—	-13,000	—	—

Increase personnel to implement "Two-Agency Fish Mitigation Agreement".....	—	—	—	103	—	—	103
Decrease in loans for water conservation and groundwater recharge from 1986 bond funds.....	—	—	-2,250	—	—	—	-2,250
Increase safe drinking water grants..	—	—	32,475	—	—	—	32,475
Decrease reimbursements to Department of Health Services for Safe Drinking Water Grant Program	—	—	-307	—	—	—	-307
Provide water conservation grants from 1988 bond funds.....	—	—	15,998	—	—	—	15,998
Increase water conservation loans from 1984 bond funds.....	—	—	585	—	—	—	585
Decrease in Suisun Marsh Planning Program activities	—	—	—	-448	—	-299	-747 ^a
Increase Delta flood control subventions and flood control project activities.....	—	—	—	—	6,000	—	6,000
Subtotals, program changes	(\$18,583)	(-\$4,611)	(\$46,501)	(-\$67)	(-\$6,774)	(-\$159)	(\$53,473)
1989-90 Expenditures (Proposed)	\$46,650	—	\$146,208	\$687,039	\$15,011	\$8,032	\$902,940
Change from 1988-89:							
Amount	\$17,816	-\$4,487	\$46,463	\$37,066	-\$6,865	-\$709	\$89,284
Percent.....	61.8%	-100%	46.6%	5.7%	-31.4%	-8.1%	11.0%

^a Includes \$830,000 in reimbursements incorrectly excluded from Governor's Budget display.

State Water Project Changes

State Water Project (SWP) revenues are continuously appropriated to the department. The department expects to spend \$687 million for construction, operation, and maintenance of the SWP in 1988-89, an increase of \$37.1 million, or 5.7 percent over estimated current-year expenditures. These increases are due primarily to construction of the East Branch Enlargement. The major funding changes proposed for 1989-90 include:

- Increased design and construction costs for the East Branch Enlargement in southern California (\$22.2 million);
- Increased debt service and equipment costs (\$16.7 million); and
- Completion of facility repairs (-\$4.4 million).

ANALYSIS AND RECOMMENDATIONS

Projects Recommended for Approval

We recommend approval of the program changes reported in Table 2 which are not discussed elsewhere in this analysis.

A. STATE WATER PROJECT FINANCING

Background

Construction, operation and maintenance of the State Water Project (SWP) is the predominant activity of the Department of Water Resources. The SWP consists of a dam and reservoir on the Feather River, a major aqueduct from the Sacramento-San Joaquin River Delta to southern California, branch aqueducts to other parts of the state, and water storage and power generation facilities. The project is the state's

DEPARTMENT OF WATER RESOURCES—Continued

means of moving water to (1) agricultural areas for crop production and (2) the more heavily populated areas of the state for domestic use.

The SWP receives funding from three sources:

- **The Burns-Porter Act of 1960.** This act authorized the sale of general obligation bonds for the construction of the State Water Project.
- **The California Water Fund (CWF).** The CWF is intended to serve as a kind of revolving fund for SWP construction purposes, primarily maintained by the receipt of project revenues. In addition, current law earmarks \$25 million annually in tidelands oil revenues for the SWP and Delta flood protection programs. This money is deposited in the CWF. Funds in the CWF are continuously appropriated to the SWP, except that the Legislature may appropriate any amount of CWF monies for any General Fund purpose. The SWP is required to pay the CWF back with project revenues for any tidelands funds that it has used.
- **Other Revenues.** State Water Project revenues come primarily from payments made by water agencies on long-term contracts for water delivery. In addition, many SWP facilities have been funded by the sale of revenue bonds, and a proportion of contractor payments are dedicated to repayment of these bonds. The project also receives revenues from the federal government to pay for the operation of joint federal-state facilities, such as the San Luis Reservoir, interest earnings, and loan repayments from local agencies.

Budget Proposal in Brief

The 1989-90 budget proposes no deposits of tidelands oil revenues to the California Water Fund in the budget year because of projected shortfalls in these revenues. These revenues when deposited in the CWF would normally support (1) the SWP, through a continuous appropriation, (2) legislative appropriations for any General Fund purpose, and (3) transfers to the Delta Flood Protection Fund (DFPF) for implementation of Ch 28/88 (SB 34, Boatwright), known as the Delta Flood Protection Act.

The budget proposes to (1) transfer \$12 million in SWP revenues to the CWF as partial payment on project debt to the state for funds used for SWP purposes, and (2) use these funds to implement Chapter 28. The Delta Flood Protection Act designates \$12 million annually in tidelands oil revenues for 10 years to fund special flood control projects in the Delta and subventions to local reclamation districts for levee repair and maintenance. The 1988 Budget Act appropriated \$6 million to the DFPF for the first year of the program, and included supplemental report language stating legislative intent that the program should receive a total of \$120 million over a 10-year period.

The Governor's Budget indicates that this transfer of funds from the SWP to the CWF will begin a series of repayments and offsets to retire accumulated debt obligations between the State Water Project, the CWF, and the General Fund.

Currently the SWP owes the state approximately \$433 million for construction of SWP facilities with CWF funds. In turn, the General Fund owes the SWP approximately \$186 million for construction, operation and maintenance of recreational facilities along the project. Current law, known as the Davis-Dolwig Act, requires the General Fund to pay the

SWP for any expenditures incurred to provide recreational opportunities or to enhance fish and wildlife habitat.

The administration proposes through separate legislation to (1) cancel the accumulated General Fund debt to the SWP, and (2) reduce the total obligation of the SWP to the CWF by the amount of the General Fund debt. This would result in a net project obligation to the CWF of approximately \$247 million. In the future, new debt will accumulate as the CWF supports project construction and SWP revenues are used for recreation and wildlife enhancement along the project.

Hidden SWP Revenues Available for Transfer

We recommend that the Legislature include a new control section in the Budget Bill requiring (1) transfer of \$43.7 million from SWP operating reserves to the CWF and (2) ongoing notification concerning proposed SWP expenditures from the CWF. (Add Item 3860-001-144 in the amount of \$43.7 million).

Current law specifies that revenues from contractor payments to the State Water Project are to be used for four purposes, and sets them in priority order. These uses are:

- Payment of reasonable annual operation and maintenance costs for the SWP (first priority);
- Annual debt service on the general obligation bonds issued for the SWP (second priority);
- Transfer to the CWF as reimbursement for any funds used from it for construction of SWP facilities (third priority); and
- Use for further SWP construction (fourth priority).

Current law requires that the Department of Finance identify in the Governor's Budget the projected SWP revenues and proposed expenditures for the four priority categories. Specifically, the law requires that the "data shall be organized on a fiscal year basis and shall include (1) an estimate of total revenues for the four purposes by revenue source, and (2) a detailed statement of expenditures for the past, current and future fiscal years." Despite the requirement, however, this information has never been provided in the Governor's Budget.

The 1989-90 budget proposes third-priority SWP revenue transfers totaling \$12 million. (As discussed above, these revenues would be deposited in the CWF for transfer to the support of the Delta Flood Protection Program.) Because the budget fails to report SWP revenues and expenditures as required by law, the Legislature is unable to determine if the proposed transfer represents *all* of the project revenue that could be transferred to the CWF in 1989-90. Our review of the program indicates, however, that there may be additional unreported money available for support of third-priority transfers to the CWF. Specifically, two aspects of the DWR's accounting of project revenues lead us to conclude that an amount substantially in excess of that proposed in the budget is available for transfer to the fund.

Operating Reserves Have Been Increasing. The department maintains a discretionary reserve for the SWP to provide any operating and maintenance funds needed above those projected for the year. The department indicates that a prudent reserve should equal two months of operating costs. We estimate that this reserve level would equal approximately \$30 million based on average annual operation and maintenance costs for the project. The SWP financial statements, however, indicate

DEPARTMENT OF WATER RESOURCES—Continued

that it is departmental policy to maintain a reserve of \$48 million, approximately \$18 million more than needed for two months of operation and maintenance costs.

Through 1986 the department maintained an average operating reserve of \$22.7 million. In 1987 *alone*, however, the department deposited an additional \$33.2 million in the reserve, bringing the reserve total to \$55.9 million. The 1987 reserve deposit was \$8.3 million *more* than the amount the department had estimated it would be able to deposit in that year. Presumably, these additional funds represent greater-than-expected revenues, and were apparently placed in the operating reserve rather than transferred to the CWF.

According to the 1988 financial statement of the SWP, the department deposited \$3.1 million in the operating reserve in 1988 and will deposit an additional \$14.6 million in 1989. These deposits will bring the total reserve to \$73.7 million, or \$25.7 million more than the department's target of \$48 million, and \$43.7 million more than two months of operating costs.

Department Used Transferable Revenues to Cover Project Cost in 1988-89. The 1988 Budget Act deleted \$1.7 million in tidelands oil revenues that would otherwise have been transferred to the CWF to support SWP program activities under the department's continuous appropriation authority because (1) there was a shortfall in tidelands oil revenues, and (2) SWP funds, if available, could be used to pay for the activities. While neither the 1988-89 Governor's Budget nor the 1987 SWP financial statement estimated that revenues would be available, the department "found" \$1.7 million in project revenues for support of these SWP program expenses. Because the department was able to cover these costs even though adequate revenues had not been anticipated, it appears to us that the department may be underestimating—or under-reporting—project revenues available for third-priority transfer to the CWF.

State Water Project revenues deposited in the California Water Fund can be used to support SWP project costs, or can be appropriated by the Legislature for support of other programs and legislative priorities. It appears to us that as much as \$44 million may be available for transfer to the CWF in the budget year. The budget does not propose to transfer these funds.

In order to allow the Legislature greater flexibility in establishing funding priorities for the SWP and other programs, we recommend that the Legislature include in the Budget Bill a new control section which requires (1) the transfer of \$43.7 million in excess operating reserves from the SWP to the CWF, (2) 30-day notification to the fiscal committees and the JLBC of any proposed SWP expenditures from the CWF, and (3) ongoing reporting of SWP revenues as required by Water Code Section 12938.2. Because the department has not identified any expenditures from the CWF in the budget year, all funds transferred are available for appropriation.

Should the SWP Pay Interest on Its Debt?

We recommend that the department report at budget hearings on the amount the SWP would owe the CWF if interest costs were applied to the project's debt obligation.

The Davis-Dolwig Act specifies that *all* costs associated with recreation and fish and wildlife enhancement, presumably including debt service costs (interest), should be included in determining how much the General Fund owes the SWP for costs incurred by the project in constructing or operating recreation facilities and enhancing fish and wildlife habitats. Interest on the Davis-Dolwig obligation of the General Fund to the SWP has been calculated at a composite rate that reflects changing interest rates on bonds issued over the life of the project. These interest costs have been reported to the Legislature annually since the Davis-Dolwig program began. Currently, the interest costs total \$89 million, or approximately 30 percent, of the total General Fund debt obligation to the SWP, not including repayments to date. While interest is calculated on the General Fund debt to the State Water Project, it is *not* applied to the project's debt to the CWF. As a result, the funds owed to the CWF by the SWP do *not* reflect any interest costs. This is because the Burns-Porter Act does not specify whether or not these funds are to be repaid with interest, and the department traditionally has not included interest costs in its calculation of the project's debt to the CWF.

Historically, the SWP has perceived the CWF to be an interest-free source of funds for project purposes. If interest were calculated on *both* debts, however, the amount owed by the SWP to the fund would substantially exceed the amount currently calculated by the department under the offset proposal. We cannot determine, however, the amount of this back interest because the calculation depends on (1) when various portions of the debt were incurred and (2) what interest rate should be applied to debt incurred at various times.

The Legislature will have the opportunity to consider requiring the SWP to pay interest on its debt when it debates the administration's proposal to offset the debt. Because payments by the SWP to the CWF are interchangeable with the General Fund and can be appropriated by the Legislature for support of its program priorities, we think it important that the Legislature be informed of the future revenue loss associated with the administration's proposal to cancel—interest free—a portion of the SWP debt to the CWF. Accordingly, we recommend that the department report prior to the budget hearings concerning (1) its recommendation for an appropriate interest rate to apply to past and future SWP debt, (2) the amount of interest owed the CWF, given the recommended rate, and (3) the amount of interest owed the CWF using the Pooled Money Investment Account rate, if this rate is different from the rate recommended by the department.

Estimates of General Fund Debt to the State Water Project May Be Overstated

We recommend that the department report at budget hearings on the resources and time required to reevaluate its methodology for allocating SWP costs attributed to recreation and fish and wildlife enhancement.

The department's methodology for estimating the General Fund debt to the State Water Project for recreational facilities and natural habitat enhancement has been controversial.

In 1979 the Department of Finance (DOF) published a review of the methodology which found that (1) a less complex method should be developed, and (2) the method used by the department should be

DEPARTMENT OF WATER RESOURCES—Continued

modified because the benefits to recreation and fish and wildlife enhancement had been overestimated. The overestimate of benefits resulted in overestimation of the General Fund obligation to the SWP. The department did not revise its methodology in response to the DOF review, although it did review and adjust some of the allocations in contracts the following year. The department has not reviewed the allocations to recreation and fish and wildlife enhancement since 1980, except to add new facilities. The DWR has argued that the allocation of costs to the SWP and the General Fund which result from the current methodology are written into long-term contracts, and cannot legally be changed retroactively. While we concur that the allocation of costs cannot be changed retroactively, our analysis indicates that the methodology should be reviewed for two reasons. First, the department periodically renegotiates various terms of the long-term contracts. These renegotiations could include a more appropriate General Fund allocation for *future* obligations.

Second, as the current long-term contracts expire, the department will need to sign new contracts. These new contracts should reflect the most appropriate allocation of costs to the General Fund that the department can determine. Consequently, we recommend that the department report at budget hearings on (1) the resources it would need to reevaluate and improve the cost allocation methodology and (2) a proposed timeline for completing the reevaluation.

B. OTHER ISSUES**State Water Project Activities Funded from the General Fund**

We recommend deletion of \$1,466,000 in General Fund support for State Water Project (SWP) activities because these activities are more appropriately funded from SWP resources. (Reduce Item 3860-001-001 by \$1,466,000.)

The budget proposes to shift expenditures normally supported by the California Water Fund (CWF) to the General Fund, and proposes no expenditures from the CWF in the budget year. Specifically, the budget proposes to fund three activities at a cost of \$4.3 million, consisting of (1) \$1.5 million for the San Joaquin valley drainage reduction program, (2) \$1.2 million for the evaluation of toxic chemicals in groundwater, and (3) \$1.6 million for agricultural water conservation.

Approximately \$1.5 million of the program costs proposed to be shifted to the General Fund from the CWF support SWP activities related to reduction of agricultural drainage water in the Central Valley. These program costs traditionally have been funded under the SWP's continuous appropriation from the CWF.

Our analysis indicates that shifting the San Joaquin valley drainage reduction program costs to the General Fund from the CWF may result in the state receiving less from the SWP than the full amount owed it under the terms of the continuous appropriation. This would result because (1) the 1989-90 drainage reduction program costs would not be accounted for in the total amount owed to the CWF by the SWP, and (2) there is no requirement that the SWP repay the General Fund *directly* for these costs. As a consequence, the SWP would not have to repay 1989-90 drainage reduction program costs. In order to maintain these program costs as a SWP responsibility, we recommend that the SWP fund

these costs directly, for a General Fund savings of \$1.5 million (reduce Item 3860-001-001 by \$1,466,000).

Drought Center Funding Requirements

We recommend that the Department of Water Resources report at budget hearings concerning (1) the prospects for continued drought conditions, (2) staffing and funding requirements for responding to a continued drought, and (3) a proposal for funding these requirements.

Currently California is in the second year of a drought. Rainfall thus far in the current water year has been near normal, but reservoir storage and groundwater supplies remain well below normal.

Under the provisions of Ch 957/88 (SB 32, Ayala), the department has submitted a report to the Legislature on the drought, and on steps that may be required if the drought continues into an unprecedented third year. The department indicates that it will not be able to determine the need to implement drought-related programs, such as developing emergency water supply systems, until the end of the rainy season (probably the end of February).

In the current year, the department established a Drought Center to monitor drought conditions in the state and to provide information on water conservation measures to help alleviate the effects of the drought. The Drought Center was supported by internal redirections of staff and resources.

The budget does not include a proposal for how the department would fund continuation of the Drought Center or implementation of any steps to provide drought assistance if the drought continues into the budget year. Nor does the department's report specify costs associated with continued drought-related activities or with state drought assistance. While most of the drought assistance provided in the 1976-1977 drought was federal, the Legislature appropriated \$15.4 million directly for drought-related needs in 1977 and authorized use of existing water supply development loan funds for drought relief. Thus, drought-related costs in 1989-90 could be significant and warrant the Legislature's attention. We recommend, therefore, that the department report at budget hearings on (1) the prospect for a third year of drought, (2) the department's requirements for staff and funding to maintain the Drought Center and to implement drought-related programs, and (3) a proposal for how these resources would be provided, if needed.

CIMIS Program Past the Pilot Stage

We recommend (1) deletion of \$1.6 million requested from the General Fund for statewide implementation of the CIMIS program, and (2) funding the program from fees charged to program beneficiaries. (Reduce Item 3860-001-001 by \$1.6 million). We further recommend the department report prior to budget hearings on a fee schedule to support the CIMIS program.

The budget proposes \$1.6 million from the General Fund for continuation of the California Irrigation Management and Information System (CIMIS). CIMIS was implemented in 1985-86 as a three-year pilot program to provide agricultural growers with irrigation scheduling information via computer, based on weather data and expected irrigation requirements for various crops. The program includes access to a database of weather information and crop water use, and also provides

DEPARTMENT OF WATER RESOURCES—Continued

classes for water districts, workshops for growers, a quarterly newsletter, a toll-free computer access number and various other services to encourage use of the CIMIS. Growers are the primary beneficiaries of the CIMIS program, realizing savings in irrigation costs from improved irrigation efficiency. Currently, all elements of the program, including access to the computer network, are provided to water districts and growers free of charge.

To date, the state has spent a total of \$6.1 million for the CIMIS pilot program, including \$1.6 million in the current-year—the *fourth* year of the project. The budget proposes continuing this funding level in 1989-90 in order to begin statewide implementation of the program.

We have two concerns with the department's proposal. First, no fee schedule for support of the program has been proposed by the department. As a result, the DWR proposes that the General Fund continue to support the program, even though private interests are the program's primary beneficiaries. Second, a report prepared by the department in 1985-86 outlined alternative fee structures for the CIMIS program that would require the primary beneficiaries of the CIMIS—growers—to pay for all or a portion of the program's ongoing costs. The report recommended that selection of an appropriate fee structure for statewide implementation of the program should follow an assessment of the success of the pilot program that the department intended to make in 1987-88—the end of the initial three-year pilot period.

It appears that the department is planning to implement the CIMIS program statewide without specific approval from the Legislature, and without charging fees for the services provided by CIMIS, as originally intended. Therefore, we recommend deletion of \$1.6 million from the General Fund for statewide implementation of the CIMIS program. This reduction would be offset by fees charged to program participants. We further recommend that the department report prior to budget hearings on a proposed fee schedule to ensure that program beneficiaries provide the funding required for the program.

California-Nevada Litigation

We withhold recommendation on \$381,000 requested for additional staff and contract expenses to develop data on California-Nevada water allocation issues pending receipt of more detailed workload information.

The budget requests an additional \$381,000 from the General Fund for support of negotiations or litigation concerning the allocation of water between Nevada and California. Of this amount, \$200,000 is for contracts with expert witnesses and \$181,000 is for additional staff to collect data supporting California's position in the allocation dispute. The department has four staff at a cost of \$371,000 for this activity in the current year.

Currently, California, Nevada, and the Pyramid Lake Paiute Tribe are involved in a dispute concerning allocation of water from the Truckee River basin and other shared basins. There is an effort in Congress to resolve many of the issues involved in this dispute through negotiations and concurrent legislation. If a negotiated settlement is reached within the two-year Congressional session, the department should not require resources for data collection beyond 1990-91. If this effort fails, however, the department expects to litigate the case before the United States

Supreme Court. The decision to litigate should be made by the beginning of the fiscal year. The DWR anticipates that litigation would require four more years of data collection to support California's claims.

The department indicates that resources needed to support California's claim have increased above their original projections because the Pyramid Lake Paiute Tribe (1) has recently brought suit against California in support of its claim to basin water and (2) has indicated its willingness to negotiate with California over shared basin water. This has resulted in increased staff needs to research and respond to the tribe's claim and to prepare for negotiations.

Workload information provided by the department, however, has not been sufficient to document the extent of the additional staffing needs. It is not possible, for example, to determine which additional tasks require additional staff or the extent to which existing staff could absorb new tasks. Therefore, we withhold recommendation on \$381,000 from the General Fund pending receipt and review of additional workload information from the department.

Technical Recommendation

We recommend changes in the Budget Bill appropriation from two funds to eliminate over- and underbudgeting for indirect costs (Increase Item 3860-001-001 by \$72,000 and Reduce Item 3860-001-176 by \$77,000).

The Departments of Water Resources and Finance (DOF) have developed a method to allocate the department's indirect costs for new proposals between funds (See 1988-89 *Analysis*, p. 418). Final DOF approval or disapproval of proposed budget changes has caused some incorrect adjustments to the department's baseline budget by fund. This recommendation corrects those adjustments.

Resources Agency

STATE WATER RESOURCES CONTROL BOARD

Items 3940 and 3940-490 from
the General Fund and various
funds

Budget p. R 199

Requested 1989-90	\$358,272,000
Estimated 1988-89	353,412,000
Actual 1987-88	114,108,000
Requested increase (excluding amount for salary increases) \$4,860,000 (+1.4 percent)	
Total recommended reduction	3,380,000
Recommendation pending	13,647,000

STATE WATER RESOURCES CONTROL BOARD—Continued
1989-90 FUNDING BY ITEM AND SOURCE

Item—Description	Fund	Amount
3940-001-001—Support	General	\$38,389,000
3940-001-014—Hazardous waste site closure	Hazardous Waste Control Account, General	509,000
3940-001-235—Santa Monica Bay management conference	Public Resources Account, Cigarette and Tobacco Products Surtax	133,000
3940-001-436—Licensing underground tank testers	Underground Storage Tank Tester Account, General	259,000
3940-001-475—Underground tank permits	Underground Storage Tank	1,120,000
3940-001-482—Toxic pits regulation	Surface Impoundment Assessment Account, General	2,833,000
3940-001-740—Support	1984 Clean Water Bond	501,000
3940-001-744—Support	1986 Water Conservation and Water Quality Bond	273,000
3940-001-890—Support	Federal Trust	26,323,000
3940-101-744—Local assistance, agricultural drainage loans	1986 Water Conservation and Water Quality Bond	25,000,000
3940-101-890—Local assistance, wastewater treatment loans	Federal Trust	174,337,000
3940-490—Reappropriation, underground tank pilot program	Federal Trust	(1,800,000) ^a
Water Code Section 13999, wastewater treatment grants and loans	1984 State Clean Water	50,000,000
Water Code Sections 13955, 13970, 13985	State Clean Water Bond	
—Support		9,200,000
—Local assistance		20,000,000
Water Code Sections 13401 and 13441—Local assistance	State Water Quality Control	600,000
Reimbursements	—	8,795,000
Total		\$358,272,000

^a State Water Resources Control Board estimate.

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

*Analysis
page*

1. *Basin Plan Revision. Reduce Item 3940-001-890 by \$3,380,000.* Recommend reduction for updating and revising water quality control plans (basin plans) because the board has not justified its request. 377
2. *Overdue Reports.* Recommend that the board report at the time of budget hearings on (1) the results of its studies on nitrate contamination of drinking water and wastewater treatment plant financing, and (2) the reasons it has not submitted to the Legislature reports on these subjects as required in the *Supplemental Reports* of the 1987 and 1988 Budget Acts. 378
3. *Proposition 65 Implementation.* Withhold recommendation on \$1,785,000 from the General Fund requested for implementation of Proposition 65 (The Safe Drinking Water and Toxic Enforcement Act of 1986) pending receipt and review of workload information to justify the amount requested. 379
4. *Underground Tank Pilot Program.* Withhold recommendation on approximately \$11.9 million (\$840,000 from Item 380

3940-001-890, \$4,155,000 from Item 3940-101-890, \$5,067,000 from reimbursements, and approximately \$1.8 million from Item 3940-490) for the continuation of the underground tank pilot program, pending review of additional information on the department's proposal. Further recommend the board report at the time of budget hearings on the problems it has identified with the implementation of the pilot program, and its proposed solutions to these problems.

GENERAL PROGRAM STATEMENT

The State Water Resources Control Board has two major responsibilities: to regulate water quality and to administer water rights.

The state board carries out its water pollution control responsibilities by establishing wastewater discharge policies and by administering state and federal grants and loans to local governments for the construction of wastewater treatment facilities. The board also implements programs to ensure that surface impoundments and underground tanks do not contaminate groundwater. Nine regional water quality control boards establish wastewater discharge requirements and carry out water pollution control programs in accordance with the policies, and under the supervision, of the state board. Funding for the regional boards is included in the state board's budget.

The board's water rights responsibilities involve the issuance of permits and licenses to applicants who desire to appropriate water from streams, rivers, and lakes.

The board is composed of five full-time members who are appointed by the Governor to staggered four-year terms. The state board and the regional boards have a combined total of 1,063.5 personnel-years in the current year, of which 526.1 personnel-years are allocated to the regional boards and 537.4 personnel-years are allocated to the state board.

OVERVIEW OF THE BUDGET REQUEST

The budget proposes total expenditures of \$358 million from all sources for the State Water Resources Control Board (SWRCB) in 1989-90. This is an increase of \$4.9 million, or 1.4 percent, from estimated current-year expenditures. The board's proposed plan would be financed by \$68 million from state funds, \$201 million in federal funds, \$9 million in reimbursements, and \$80 million in continuously appropriated state funds. Of the amount requested, a total of \$274 million from state bond funds, federal funds, and reimbursements would be for loans and grants to local agencies for wastewater treatment facilities, agricultural drainage projects, and overseeing the cleanup of underground tanks.

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

STATE WATER RESOURCES CONTROL BOARD—Continued

Table 1
State Water Resources Control Board
Budget Summary
1987-88 through 1989-90
(dollars in thousands)

Program	Personnel-Years			Expenditures			Percent Change From 1988-89
	Actual 1987-88	Est. 1988-89	Prop. 1989-90	Actual 1987-88	Est. 1988-89	Prop. 1989-90	
Water Quality							
Regulation:							
Underground tanks	59.7	88.5	102.6	\$10,439	\$6,012	\$15,440	156.8%
Toxic pits	24.0	21.8	28.4	1,726	2,360	2,360	—
Contaminated drinking water wells investigations	33.4	53.1	41.9	2,388	3,506	2,796	-20.3
Resource Conservation and Recov- ery Act	21.9	25.3	25.2	1,599	1,806	1,806	—
Other regulatory activities	325.6	365.4	360.7	26,710	44,066	32,694	-25.8
Planning	52.4	67.9	68.4	5,865	9,111	15,623	71.5
Facility development assistance	110.3	121.9	104.8	53,719	275,314	275,815	0.2
Research and technical assistance	117.8	93.5	93.0	4,141	3,485	3,559	2.1
Subtotals, water quality	(745.1)	(837.4)	(825.0)	(\$106,587)	(\$345,660)	(\$350,093)	1.3%
Water Rights							
Water appropriation	53.3	57.0	58.9	\$3,701	\$3,971	\$4,216	6.2%
Water management/enforcement	31.1	27.1	27.0	2,701	2,261	2,386	5.5
Determination of existing rights	2.1	4.8	4.8	214	526	535	1.7
Technical assistance	17.7	17.9	17.8	905	994	1,042	4.8
Subtotals, water rights	(104.2)	(106.8)	(108.5)	(\$7,521)	(\$7,752)	(\$8,179)	5.5%
Administration (distributed to other programs)	112.4	119.3	118.4	(\$6,746)	(\$8,390)	(\$8,774)	4.6%
Totals	961.7	1,063.5	1,051.9	\$114,108	\$353,412	\$358,272	1.4%
Funding Sources							
General Fund				\$35,074	\$37,595	\$38,389	2.1%
Hazardous Waste Control Account				428	643	509	-20.8
Cigarette and Tobacco Products Surtax Fund				—	—	133	— ^a
Underground Storage Tank Tester Account				27	239	259	8.4
Underground Tank Storage Fund				788	1,118	1,120	0.2
Underground Container Inventory Account				14	—	—	—
Surface Impoundment Assessment Account				1,336	2,766	2,833	2.4
State Clean Water Bond Fund				22,417	26,545	29,200	10.0
State Water Quality Control Fund				1,442	800	600	-25.0
1984 State Clean Water Bond Fund				27,776	50,488	50,501	—
1986 Water Conservation and Water Quality Bond Fund				209	24,266	25,273	4.1
Federal Trust Fund				15,383	195,876	200,660	2.4
Reimbursements				9,214	13,076	8,795	-32.7

^a Not a meaningful figure.

In addition to the \$358 million in new expenditure authority discussed above, the Budget Bill also proposes to reappropriate the unencumbered balance of federal funds appropriated in the current year for a pilot program to contract with local governments to oversee the cleanup of leaking underground tanks. The board estimates that approximately \$1.8 million would be reappropriated.

Proposed Budget Changes for 1989-90

Table 2 summarizes, by funding source, the changes proposed in the board's budget for 1989-90. As shown in Table 2, the proposed \$4.9 million net increase in expenditures results primarily from the following:

- An increase of \$5.9 million from the State Clean Water Bond Fund (\$2.5 million) and federal funds (\$3.4 million) to revise and enhance 14 water quality control plans (basin plans).
- A net decrease of \$3.2 million in reimbursements and federal funds to continue for a third year a pilot program to fund local oversight of the cleanup of leaking underground storage tanks. The budget proposes a total of \$10.1 million in federal funds and reimbursements for the pilot program in 1989-90. In addition, the budget proposes to reappropriate the unencumbered balance of federal funds appropriated in the current year for the pilot program.
- Various other program changes and administrative adjustments totaling approximately \$2.2 million.

Table 2
State Water Resources Control Board
Proposed 1989-90 Budget Changes
(dollars in thousands)

	<i>General Fund</i>	<i>Other State Funds</i>	<i>Federal Trust Fund</i>	<i>Reimburse- ments</i>	<i>Totals</i>
1988-89 Expenditures (Revised)	\$37,595	\$106,865	\$195,876	\$13,076	\$353,412
<i>Baseline adjustments:</i>					
Delete one-time costs	-443	-901	-1,177	-450	-2,971
Full-year employee compensation costs ..	1,363	310	375	114	2,162
Operating expense adjustment	—	62	80	25	167
Miscellaneous adjustments	86	811	791	—	1,688
Subtotal, baseline adjustments	(\$1,006)	(\$282)	(\$69)	(-\$311)	(\$1,046)
<i>Program changes</i>					
Continue local oversight program of leaking underground storage tank cleanups at a reduced level	—	—	\$312	-\$3,500	-\$3,188
Revise and enhance water quality control plans (basin plans)	—	\$2,500	3,380	—	5,880
Continue regulation of timber harvest practices	—	—	542	—	542
Increase oversight of contaminated soil and groundwater cleanups in the Santa Clara Valley	—	—	916	—	916
Increase toxic pits cleanup program	—	648	—	—	648
Develop Santa Monica Bay restoration program	—	133	400	—	533
Phase out of wastewater treatment plant construction grant program	—	—	-895	—	-895
Other changes	<u>-\$212</u>	<u>—</u>	<u>60</u>	<u>-470</u>	<u>-622</u>
Subtotal, program changes	<u>(\$-212)</u>	<u>(\$3,281)</u>	<u>(\$4,715)</u>	<u>(\$-3,970)</u>	<u>(\$3,814)</u>
1989-90 Expenditures (Proposed)	\$38,389	\$110,428	\$200,660	\$8,795	\$358,272
Changes from 1988-89:					
Amount	\$794	\$3,563	\$4,784	-\$4,281	\$4,860
Percent	2.1%	3.3%	2.4%	-32.7%	1.4%

STATE WATER RESOURCES CONTROL BOARD—Continued
Current Year Unallocated Reduction—Continuing Effects on Board Programs

The 1988 Budget Act included an unallocated General Fund reduction of \$3.5 million, or approximately 9.5 percent of the total General Fund appropriation, for the SWRCB. The board indicates that it implemented the reduction in the current year primarily by (1) delaying the implementation of new programs proposed for 1988-89, (2) delaying the filling of vacant positions in order to increase salary savings, and (3) reducing its operating expenses and contract costs.

The budget proposes to continue the current-year unallocated reduction into 1989-90. In order to continue with the reduced level of funding, the board is proposing to (1) reduce its program activities in the Solid Waste Assessment and Contaminated Drinking Water Wells Follow-up Programs, (2) continue to delay filling vacant positions, and (3) continue to reduce its operating expenses and contract costs.

Solid Waste Assessment Program. Chapter 1532, Statutes of 1984 required the board to rank, by January 1, 1986, all solid waste disposal sites in California based on their potential threat to water quality. Operators of solid waste disposal sites are required to submit to the board detailed information on the geology and hydrology of the site, including an evaluation of the surface and ground waters in the area to determine if there is any leakage of hazardous wastes from the disposal sites. Under the act, regional boards are required to review and evaluate 150 of these studies each year, and to take corrective action if leakage is found. The board indicates that the regional boards have been unable to review the required number of studies in the current year because of insufficient personnel and resources.

The board proposes to reduce expenditures for this program from approximately \$1.8 million to approximately \$800,000, or by 56 percent, in 1989-90. The board indicates that at the reduced level of implementation, it will take approximately eight years to review the reports from the 600 sites representing the greatest threat to water quality. The board estimates that there are 2,200 sites for which it will ultimately need to review reports.

Contaminated Drinking Water Wells Follow-up Program. Under this program, regional water quality control boards identify sources of pollution in public drinking water wells. The Department of Health Services (DHS) operates a comprehensive program to monitor drinking water systems in the state to ensure that the water meets federal and state health requirements. If the DHS determines that a drinking water well is contaminated, it requests a regional water quality control board to identify the sources of contamination. The regional boards conduct field investigations to identify the location, responsible party, and the nature of suspected sources of the groundwater contamination in the immediate area of the wells, and oversee the cleanup of the source of pollution. The board proposes to reduce this program from \$3.6 million in the current year to \$2.8 million in the budget year, or by 29 percent. According to the board, at the reduced level of funding (1) it will take the board 16 years, rather than 13 years, to complete investigations at all currently known polluted wells and (2) the board would not be able to investigate newly discovered contaminated wells.

ANALYSIS AND RECOMMENDATIONS**Basin Plan Revision Proposal Not Justified**

We recommend deletion of \$3,380,000 in federal funds for updating and revising water quality control plans (basin plans) because the board has not justified its request. (Reduce Item 3940-001-890 by \$3,380,000.)

The board proposes to spend a total of \$5,880,000 from federal funds (\$3,380,000) and from the State Clean Water Bond Fund (\$2.5 million), which is continuously appropriated, to update and revise the water quality control plans (basin plans) for all 14 water quality basin planning areas in the state. Basin plans are the central planning and policy documents used by the state and regional boards for protecting and improving water quality in the state. These plans are intended to help coordinate and direct the boards' regulatory programs for protecting water quality. The current basin plans were developed in 1975, and have been amended periodically to incorporate new policies or programs.

The SWRCB indicates that the current basin plans no longer effectively coordinate and direct the state and regional boards' regulatory programs. Since the basin plans were first developed, the boards' responsibilities for water quality protection have increased significantly, particularly in the area of regulating the discharge of toxic substances. As a result, the boards have adopted a total of 200 amendments to the basin plans, primarily to reflect new policies resulting from increased responsibilities. The SWRCB indicates, however, that the plans are hard to use; amendments have not been indexed properly, and it is difficult to track updates in board policies. In addition, the board indicates that it also needs to integrate into the basin plans the elements of its new plan for the control of nonpoint sources of pollution. The board has stated that if the basin plans are not redone, its regulatory efforts will operate at less than optimum effectiveness and may result in "inconsistent or excessive regulation."

In order to address this problem, the board is proposing to spend approximately \$5.9 million from the State Clean Water Bond Fund and federal funds to contract with private organizations to revise and update the basin plans. Specifically, the board proposes to contract for the following work:

1. \$294,000—Identify all bodies of water that have not been previously identified in basin plans and verify the water bodies that have been previously identified.
2. \$350,000—Identify and verify the beneficial uses of the bodies of water.
3. \$1,344,000—Establish site specific water quality objectives, sediment objectives, and tissue residue objectives.
4. \$270,000—Evaluate the degree to which bodies of water are polluted.
5. \$3,342,000—Develop a plan to implement the basin plan objectives.
6. \$280,000—Edit and reprint the plans.

We have the following major concerns with the board's proposal:

- **No Information On Problems.** The board has provided no detailed information to indicate that its regulatory programs are ineffective or inefficient. As a result, the Legislature has no basis for determining whether development of new basin plans would result in a more effective regulatory program.

STATE WATER RESOURCES CONTROL BOARD—Continued

- ***Revised Basin Plans Will Not Result in A Coordinated Regulatory Program.*** Based on our discussions with SWRCB staff, we conclude that the activities proposed by the board to revise basin plans will *not* help to coordinate and unify the regional boards' regulatory efforts because the regulatory programs administered by the boards have diverse, and sometimes potentially conflicting, objectives.
- ***No Basis for Cost Estimate.*** The board has not provided any quantitative data to support its request for funding. For instance, the board estimates that it will cost \$350,000 to review or determine the beneficial uses of bodies of water. The board has provided no information, however, on (1) the number of bodies of water that need to be reviewed, (2) the specific activities involved with reviewing the beneficial uses of a body of water, or (3) the estimated time required to review the beneficial uses of a body of water. Without this information, the Legislature has no basis to evaluate the amount requested by the board.
- ***Board Has Not Shown The Need To Contract for Services.*** The board has not demonstrated that contracting with private organizations would be more cost effective than using state and regional board personnel. Although state and regional board personnel may not have sufficient expertise to perform all of the proposed activities, our review indicates that most of the activities are similar to activities currently performed by board personnel. Using state and regional board staff to revise the basin plans would maintain at the board the expertise its personnel would develop through the revision process, and would help coordinate the development of the plans.

Without information on (1) the need for the basin plan revisions, (2) the basis for the amount requested, or (3) the cost effectiveness of contracting for the work, we have no basis to recommend approval of the SWRCB's request. Moreover, the board has not shown that the proposed revision of the basin plans will address the problems it has identified. Until the board is able to justify its proposal, we recommend that the board not proceed with the revision of the basin plans. Accordingly, we recommend deletion of \$3.4 million in federal funds—the amount requested in the Budget Bill—to support the revision of the basin plans.

Board's Failure to Submit Reports Reduces Legislative Oversight

We recommend that the board report at the time of budget hearings on (1) the results of its studies on nitrate contamination of drinking water and wastewater treatment plant financing, and (2) the reasons it has not submitted to the Legislature reports on these subjects as required in the Supplemental Reports of the 1987 and 1988 Budget Acts.

Over the last two years, the Legislature has adopted supplemental report language requiring the board to submit to the Legislature the following reports:

1. ***Nitrate Contamination of Drinking Water.*** In the *Supplemental Report of the 1987 Budget Act*, the Legislature required the board, with the assistance of the Departments of Food and Agriculture and Health Services to submit, by October 1, 1988, a report on nitrate contamination of drinking water. The Legislature requested that the board prepare the report because of its concern over (1) the potential human health threat

of excessive nitrate contamination of drinking water (excessive nitrate levels in drinking water can cause death in infants less than six months old), and (2) the contamination of 75 drinking water systems in 1986, with nitrate levels in excess of federal drinking water standards. The report would allow the Legislature to evaluate the degree to which nitrate contamination of drinking water poses a practical threat to human health, and whether legislative action is needed to resolve any nitrate contamination problems.

2. Wastewater Treatment Plant Construction Financing. In the *Supplemental Report of the 1988 Budget Act*, the Legislature required the board to submit to the Legislature, by September 1, 1988, a plan for addressing statewide needs for the construction of wastewater treatment plants. The Legislature requested this information because of its concern over the federal government's shifting of the costs of wastewater treatment plant construction from the federal government to local governments and the state. The federal government plans to (1) terminate its issuance of *grants* to local agencies for the construction of wastewater treatment plants, in favor of a *loan program*, and (2) discontinue, after 1994, all federal funding for construction of sewage treatment plants. The report should provide the Legislature with information on sewage treatment plant construction needs, potential funding shortfalls, and financing strategies.

Board Has Not Submitted Reports. At the time of this analysis (late January), the board had not submitted either report to the Legislature. Our discussions with board staff, however, indicate that the board has completed all but the final review of these studies. These reports will provide important information enabling the Legislature to oversee the board's implementation of programs, evaluate the board's budget request, and determine the need for additional legislative action in some areas. The board's failure to submit these reports limits the Legislature's oversight effort, and leaves the Legislature to make funding decisions without adequate information.

Accordingly, we recommend that the board report at the time of budget hearings on (1) the results of its studies on nitrate contamination of drinking water, and wastewater treatment plant financing and (2) the reasons it has not submitted reports to the Legislature on these subjects as required in the *Supplemental Reports* of the 1987 and 1988 Budget Acts.

Proposition 65 Proposal Lacks Justification

We withhold recommendation on \$1,785,000 from the General Fund requested for implementation of The Safe Drinking Water and Toxic Enforcement Act of 1986 (Proposition 65) pending receipt and review of workload information to justify the amount requested. (Withhold recommendation on \$1,785,000 from Item 3940-001-001.)

The budget proposes \$1,785,000 from the General Fund to support the SWRCB's activities related to The Safe Drinking Water and Toxic Enforcement Act of 1986 (Proposition 65) in 1989-90. The board proposes to use these funds for (1) reporting to local governments all known illegal discharges of hazardous wastes, (2) providing technical assistance to dischargers, (3) revising waste discharge requirements for discharges of certain chemicals, and (4) providing management and support to the above efforts.

STATE WATER RESOURCES CONTROL BOARD—Continued

During hearings on the 1988 Budget Bill, the Legislature expressed concern over the administration's implementation of Proposition 65, and the level of funding requested for the support of the program because it appeared that the program's actual workload differed from the original workload projections. As a result, the Legislature adopted language in the *Supplemental Report of the 1988 Budget Act*, requiring the Health and Welfare Agency (HWA) (which is the lead agency for implementing Proposition 65) to submit to the Legislature, by January 10, 1989, a report on the implementation of the program. Specifically, the Legislature required the agency to submit (1) a workplan for the budget year, including activities to be performed, and funding and personnel requested for each department implementing the proposition, (2) justification of funding and personnel requested for each department, and (3) a plan for developing a policy on reproductive toxicants.

Report is Incomplete. The HWA submitted its report to the Legislature on January 10, 1989, including a workplan for 1989-90 and a plan for developing a policy on reproductive toxicants. The agency's report, however, does not provide specific workload data to justify the funding or positions requested for each department for support of activities related to Proposition 65 in 1989-90, as required by the Legislature. Moreover, the workplan submitted by the agency is inconsistent with the SWRCB's budget request for 1989-90.

Without detailed workload information to justify the board's request for 1989-90, the Legislature has no basis to determine whether the board actually requires the personnel and funding it has requested. Accordingly, we withhold recommendation on \$1,785,000 requested from the General Fund for support of SWRCB's activities related to Proposition 65 pending receipt and review of detailed workload information on the board's request. Elsewhere in the *Analysis*, we also withhold recommendation on the amounts requested for implementation of Proposition 65 by the Departments of Health Services (Item 4260) and Food and Agriculture (Item 8570), pending receipt and review of workload information. The board and these two departments are the agencies most involved with the implementation of the act.

Underground Tank Pilot Program

We withhold recommendation on approximately \$11.9 million (\$4,995,000 in federal funds, \$5,067,000 in reimbursements, and approximately \$1.8 million in federal funds proposed as a reappropriation of funds appropriated in the 1988 Budget Act) requested for the continuation of the underground tank pilot program, pending review of additional information on the department's proposal. (Withhold recommendation on \$840,000 from Item 3940-001-890, \$4,155,000 from Item 3940-101-890, \$5,067,000 from reimbursements, and Item 3940-490.)

In addition, we recommend that the board report at the time of budget hearings on the problems it has identified with the implementation of the pilot program, and its proposed solutions to these problems.

In 1987, the Legislature approved a proposal by the administration to establish a two-year pilot program to contract with local governments to oversee the cleanup of leaking underground tanks. The Legislature appropriated a total of \$9.4 million in 1987-88 and \$11.7 million in 1988-89

in federal funds and reimbursements from the Department of Health Services for the pilot program. In addition, the Legislature enacted Ch 1317/87 (AB 853, Sher) and Ch 1431/88 (AB 4613, Sher) to provide the administration with guidance on the implementation of the pilot program. These acts require the board to adopt various technical and administrative guidelines and procedures, including guidelines on which type of sites may be assigned to a local agency for oversight, and quantifiable measures to evaluate the outcome of the pilot program. In addition, Chapter 1431 requires the board to submit to the Legislature, by March 1, 1990, a report which analyzes the results of the pilot program.

The budget requests approximately \$11.9 million from three sources to continue the pilot program for a third year. First, the budget anticipates that \$4,995,000 in federal funds will be available for support of the program in 1989-90. Second, the budget proposes to reappropriate the unexpended balance of federal funds appropriated in the 1988 Budget Act for the pilot program. The board estimates that approximately \$1.8 million in federal funds are available for reappropriation to support the program. Finally, the budget proposes \$5,067,000 in reimbursements from the Department of Health Services (DHS) for support of the program. According to the board, these reimbursements from DHS would be from a new Site Mitigation Fund which the administration proposes to establish through separate legislation.

In late December and mid-January, we requested information from the board on its administration of the pilot program in the current year and its 1989-90 proposal to continue the program. As a result of the board's responses to our initial questions, we asked further questions of the board. At the time this analysis was written, however, the board had not had sufficient time to respond to these inquiries. Therefore, we withhold recommendation pending review of the additional information to be submitted by the board.

In addition, however, our discussions with board staff indicate that the board has conducted an evaluation of the pilot program to identify problems with its implementation. In order to keep the Legislature apprised of the board's progress in implementing the program, we recommend that the board report to the Legislature, at the time of budget hearings, on (1) the problems or areas of concern that it has identified with the implementation of the pilot program, and (2) its proposed solutions for resolving these problems.
