

RESOURCES

SEA GRANT PROGRAM

Item 3110-001 from the General
Fund and the Environmental
License Plate Fund

Budget p. R 1

Requested 1990-91	\$625,000
Estimated 1989-90	525,000
Actual 1988-89	525,000
Requested increase \$100,000 (+ 19 percent)	
Total recommended reduction.....	None

1990-91 FUNDING BY ITEM AND SOURCE

Item—Description	Fund	Amount
3110-001-001—Support	General	\$525,000
3110-001-140—Support	Environmental License Plate	100,000
Total		<u>\$625,000</u>

SUMMARY OF MAJOR FINDINGS AND RECOMMENDATIONS

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1. *The budget proposes to increase state funding for the University of California's Sea Grant program outside of the federal matching program.* 316

GENERAL PROGRAM STATEMENT

The National Sea Grant College Program Act of 1966 authorizes federal grants to institutions of higher education and other agencies engaged in marine resources research programs. Federal funds provide up to two-thirds of 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.

In 1988-89, institutions within California received \$3.8 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 1988-89 Budget Act. In the current year the Sea Grant program has funded 44 projects related to the marine environment, including coastal wetland research, pharmaceutical discovery programs, and marine advisory programs.

OVERVIEW OF THE BUDGET REQUEST

Chapter 1617, Statutes of 1988 (AB 3223, Mojonner), extended the Sea Grant program through 1993-94 and specified that the program should receive \$525,000 annually in state support. The budget proposes \$625,000 in state support for the Sea Grant program in 1990-91. This is an increase of \$100,000 or 19 percent above the current year and above the amount

SEA GRANT PROGRAM—Continued

required by Ch 1617/88. The budget proposes to fund the increase from the Environmental License Plate Fund (ELPF). The entire increase would be directed to the University of California for its Sea Grant Marine Advisory Program (SGMAP) for advisory and dissemination activities related to research funded by the program.

ANALYSIS AND RECOMMENDATIONS***Budget Proposes Significant Increase in University of California (UC) Funding for Sea Grants***

The budget proposes to increase funding for the SGMAP at UC by \$100,000 from the ELPF. These funds will be used to support advisory activities and will *not* be matched by federal funds.

Currently, the University of California (UC) receives \$412,000 in General Fund support for its Sea Grant programs. The budget proposes an increase of \$100,000 for support of SGMAP in 1990-91. The increase would be funded from the ELPF and represents nearly a 25 percent increase in UC's state funding for Sea Grant program activities.

According to program administrators, the funding is necessary because, while federal funds continue to be available for support of research activities, they no longer are readily available for *advisory* and *educational* activities. Staff further indicate that ELPF monies are necessary because the program has been unable to attract enhanced funding from other UC fund sources such as the cooperative extension program or the regents opportunity fund.

The proposed funds would be used to support advisory and educational activities related to SGMAP research. These activities include evaluation of volunteer nonprofit groups' salmon and steelhead trout enhancement efforts and habitat restoration for streams and wetlands. In addition, the funds would be used to support SGMAP participation in environmental training for teachers. Our review of the proposed SGMAP activities indicates that ELPF monies can be used for their support. However, these funds will *not* be matched by federal funding.

TAHOE REGIONAL PLANNING AGENCY

Item 3110-101 from the General
Fund and various funds

Budget p. R 1

Requested 1990-91	\$1,461,000
Estimated 1989-90	1,366,000
Actual 1988-89	1,187,000
Requested increase \$95,000 (+7.0 percent)	
Total recommended reduction	None

1990-91 FUNDING BY ITEM AND SOURCE

Item—Description	Fund	Amount
3110-101-001—Support	General	\$896,000
3110-101-140—Various activities	Environmental License Plate	565,000
Total		\$1,461,000

SUMMARY OF MAJOR FINDINGS AND RECOMMENDATIONS

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1. The budget proposes a \$59,000 increase in General Fund expenditures for the agency to fund the state's share of a 4 percent cost-of-living adjustment for agency employees. 319

GENERAL PROGRAM STATEMENT

The Tahoe Regional Planning Agency (TRPA) was established by an interstate compact approved by the California Legislature (Ch 1589/67 [AB 1362, Z'berg]), the Nevada Legislature and the U.S. Congress. The compact provides for the development of a coordinated land use plan and enforceable regulations to preserve and enhance the environment and resources of the Lake Tahoe basin. Amendments to strengthen the compact were approved by the U.S. Congress, the President, and the states in 1980.

In May 1987, after lengthy court challenges, 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 a previously imposed development injunction at the time of the settlement.

The regional plan has been amended three times since it was approved in July 1987. These amendments include (1) the South Lake Tahoe Redevelopment Plan adopted in March 1989, (2) the Water Quality Management Plan adopted in November 1988 and approved by the Environmental Protection Agency in June 1989, and (3) the Scenic Quality Improvement Plan approved in October 1989.

OVERVIEW OF THE BUDGET REQUEST

The budget proposes two appropriations totaling \$1.5 million as California's share of support for the TRPA in 1990-91. This amount consists of \$896,000 from the General Fund and \$565,000 from the Environmental License Plate Fund (ELPF). This is an increase of \$95,000, or 7.0 percent, over 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 that of Nevada. (California also pays all meeting expenses for the four California state-level board appointees.)

Table 1 summarizes the TRPA's sources of funds for 1990-91 and indicates the percentage of the agency's total budget derived from each source. The agency proposes total expenditures of \$3.1 million in 1990-91. This amount is \$130,000, or 4.1 percent, less than total estimated current-year expenditures.

TAHOE REGIONAL PLANNING AGENCY—Continued

Table 1
Tahoe Regional Planning Agency
Sources of Funds
1990-91
(dollars in thousands)

<i>Funding Source</i>	<i>Amount</i>	<i>Percentage</i>
California	\$1,461 ^a	47.5%
Nevada.....	725	23.6
Local governments.....	150	4.9
Interest income.....	100	3.2
Grants and contracts.....	285	9.3
Filing fee income.....	299	9.7
Fines and forfeitures.....	15	0.5
Other	40	1.3
Total.....	\$3,075	100.0%

^a Includes \$11,000 in travel expenses not matched by Nevada for California's state appointed board members.

Table 2 summarizes the proposed changes in California's support for the agency during 1990-91, by fund. The table indicates that the budget proposes an additional \$119,000 in General Fund support. This amount includes (1) \$59,000 for cost-of-living adjustments for agency staff and (2) the replacement of \$60,000 in one-time 1989-90 Federal Outer Continental Shelf Lands Act, Section 8(g) Revenue Fund monies with an equivalent amount from the General Fund. This latter amount supports workload increases authorized in 1989-90.

Table 2
Tahoe Regional Planning Agency
Proposed Budget Changes, by Fund
1990-91
(dollars in thousands)

	<i>General Fund</i>	<i>Environ- mental License Plate Fund</i>	<i>Federal 8(g) Fund</i>	<i>Totals</i>
1989-90 Expenditures (Revised)	\$777	\$529	\$60	\$1,366
<i>Workload Changes</i>				
Cost-of-living adjustment.....	59	—	—	59
Funding source change.....	60	—	-60	—
<i>Program Changes</i>				
Community plans.....	—	-40	—	-40
Tahoe Environmental Geographic Informa- tion System database.....	—	42	—	42
Environmental threshold and regional plan evaluation.....	—	34	—	34
1990-91 Expenditures (Proposed)	\$896	\$565	—	\$1,461
<i>Change from 1989-90</i>				
Amount	\$119	\$36	-\$60	\$95
Percent.....	15.3%	6.7%	-100%	7.0%

ANALYSIS AND RECOMMENDATIONS

As shown in Table 2, the budget requests funds from the ELPF for expansion of two existing TRPA programs related to aspects of the revised Tahoe basin regional plan. The agency requests: (1) an additional \$42,000 to continue and accelerate the development of the Tahoe Environmental Geographic Information System database and (2) an additional \$34,000 to continue and expand the evaluation of progress in meeting the environmental threshold standards required by the regional plan. Under this proposal, California's total support of these programs would be \$68,000 and \$67,000 respectively. In addition, the budget proposes to reduce funding of community plan development by \$40,000 to reflect the completion of several such plans in the current year. These requests appear reasonable, given the TRPA's responsibilities under the revised regional plan.

COLA Proposed from General Fund

The budget proposes a \$59,000 increase in General Fund expenditures for the agency to fund the state's share of a 4 percent cost-of-living adjustment for agency employees.

TRPA's budget is scheduled as a local assistance item because it is an interstate agency rather than a state agency. As such, agency staff generally have not received the cost-of-living adjustments (COLAs) granted to state employees. However, the budget proposes to fund California's share of a 1990-91 COLA of 4 percent for TRPA employees at a cost of \$59,000 (General Fund). The proposed COLA is equal to that granted state employees January 1, 1990 and is the first such increase proposed for the agency since 1986-87.

CALIFORNIA TAHOE CONSERVANCY

Item 3125 from the General

Fund and other funds

Budget p. R 2

Requested 1990-91	\$2,748,000
Estimated 1989-90	2,728,000
Actual 1988-89	4,504,000
Requested increase (excluding amount for salary increases) \$20,000 (+0.7 percent)	
Total recommended reduction	None

CALIFORNIA TAHOE CONSERVANCY—Continued
1990-91 FUNDING BY ITEM AND SOURCE

Item—Description	Fund	Amount
3125-001-001—Support	General	\$819,000
3125-001-164—Support	Outer Continental Shelf Lands Act, Section 8(g) Revenue	34,000
3125-001-568—Support	Tahoe Conservancy	120,000
3125-001-720—Support	Lake Tahoe Acquisitions (Bond)	753,000
3125-101-140—Erosion control grants	Environmental License Plate	1,000,000
Reimbursements	—	22,000
Total		\$2,748,000

GENERAL PROGRAM STATEMENT

Chapters 1222 (SB 1806, Garamendi) and 1239 (AB 3279, Filante), Statutes of 1984, established the California Tahoe Conservancy and designated it as the lead agency for purposes of implementing the \$85 million Lake Tahoe Acquisitions Bond Act of 1982 and acquiring environmentally sensitive and other undeveloped lands in the Lake Tahoe Basin. The conservancy also is authorized to use other available funds for (1) the acquisition of developed and partially developed lands and (2) the improvement and development of acquired lands for the purposes of recreation, protecting the natural environment and providing public access.

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

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

OVERVIEW OF THE BUDGET REQUEST

The conservancy's budget proposes expenditures totaling \$2.7 million for support and local assistance in 1990-91. This is a *net* increase of \$20,000, or 0.7 percent, from estimated current-year expenditures. The increase is due primarily to proposed adjustments to the support budget because of property management and soil erosion control grant workload increases. These increases are offset partially by the deletion of various one-time costs.

Table 1 provides a summary of the conservancy's expenditures for support and local assistance from 1988-89 through 1990-91.

Table 1
California Tahoe Conservancy
Summary of Expenditures and Funding Sources
1988-89 through 1990-91
(dollars in thousands)

	Personnel-Years			Expenditures			Percent
	Actual 1988-89	Est. 1989-90	Prop. 1990-91	Actual 1988-89	Est. 1989-90	Prop. 1990-91	Change From 1989-90
<i>Program:</i>							
Support	16.1	20.0	22.0	\$1,403	\$1,657	\$1,748	5.5%
Erosion control grants	—	—	—	3,101	1,071	1,000	-6.6
Totals	16.1	20.0	22.0	\$4,504	\$2,728	\$2,748	0.7%
<i>Funding Sources</i>							
<i>Support:</i>							
General Fund				\$754	\$810	\$819	1.1%
Outer Continental Shelf Lands Act, Sec. 8(g) Revenue Fund				—	52	34	-34.6
Tahoe Conservancy Fund				—	57	120	110.5
Lake Tahoe Acquisitions (Bond) Fund				607	738	753	2.0
Federal funds				42	—	—	—
Reimbursements				—	—	22	— ^a
<i>Local Assistance:</i>							
Environmental License Plate Fund				1,000	1,000	1,000	—
Energy and Resources Fund				1,172	—	—	—
Federal funds				929	71	—	-100.0

^a Not a meaningful figure.

Table 2 summarizes the proposed changes in the conservancy's support budget for 1990-91. As Table 2 indicates, the budget proposes appropriations totaling \$120,000 from the Tahoe Conservancy Fund for the property management and erosion control grants programs in 1990-91. 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 the annual gross revenues to 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 \$30,000 to Placer County in 1990-91 pursuant to this provision. In addition, this provision requires the county to use 50 percent of these funds for soil erosion control projects.

CALIFORNIA TAHOE CONSERVANCY—Continued

Table 2
California Tahoe Conservancy
Proposed 1990-91 Budget Changes, by Fund
(dollars in thousands)

	<i>General Fund</i>	<i>Lake Tahoe Acquisi- tions Fund</i>	<i>Tahoe Conser- vancy Fund</i>	<i>Other Funds^a</i>	<i>Totals</i>
1989-90 Expenditures (Revised).....	\$810	\$738	\$57	\$1,123	\$2,728
<i>Baseline Adjustments</i>					
Miscellaneous adjustments.....	9	15	—	—	24
Deletion of one-time costs.....	—	—	—57	—123	—180
Subtotals, baseline adjustments.....	(\$9)	(\$15)	(—\$57)	(—\$123)	(—\$156)
<i>Workload Changes</i>					
Increased property management activi- ties.....	—	—	83	22	105
Additional position for soil erosion con- trol grants program.....	—	—	7	34	41
Transfer to local agency.....	—	—	30	—	30
Subtotals, workload changes.....	(—)	(—)	(\$120)	(\$56)	(\$176)
1990-91 Expenditures (Proposed).....	\$819	\$753	\$120	\$1,056	\$2,748
Change from 1989-90:					
Amount.....	\$9	\$15	\$63	—\$67	\$20
Percent.....	1.1%	2.0%	110.5%	—6.0%	0.7%

^a Environmental License Plate Fund, Outer Continental Shelf Lands Act, Section 8 (g) Revenue Fund, federal funds and reimbursements.

ANALYSIS AND RECOMMENDATIONS*We recommend approval.*

The budget proposes only minor changes in support for the conservancy in 1990-91. In addition, its proposed local assistance budget (all of which is for erosion control grants) is unchanged from current-year appropriations.

Our review indicates that the budget requests for the conservancy in 1990-91 appear reasonable.

Capital Outlay

The Governor's Budget proposes several appropriations totaling \$18.8 million in Item 3125 for capital outlay expenditures by the conservancy. Please see our analysis of that item in the capital outlay section of this *Analysis* which is in the back portion of this document.

CALIFORNIA CONSERVATION CORPS

Item 3340 from the General

Fund and other funds

Budget p. R 14

Requested 1990-91	\$61,266,000
Estimated 1989-90	56,842,000
Actual 1988-89	55,602,000
Requested increase (excluding amount for salary increases) \$4,424,000 (+7.8 percent)	
Total recommended reduction	912,000

1990-91 FUNDING BY ITEM AND SOURCE

Item—Description	Fund	Amount
3340-001-001—Support	General	\$43,147,000
3340-001-235—Support	Public Resources Account, Cigarette and Tobacco Products Surtax	213,000
3340-001-465—Support	Energy Resources Programs Account, General	5,890,000
Reimbursements	—	12,016,000
Total		\$61,266,000

SUMMARY OF MAJOR FINDINGS AND RECOMMENDATIONS*Analysis
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- 1. Additional Supervisors Unnecessary If Corps Expands.** 326
Reduce Item 3340-001-001 by \$421,000. Recommend deletion of \$421,000 proposed for additional supervisory staff because the corps already has sufficient staff to supervise proposed additional corpsmembers.
- 2. Equipment Double Budgeted and Problematic. (Reduce** 327
Item 3340-001-001 by \$491,000.) Recommend deletion of \$491,000 funds for equipment that is either unnecessary or has already been purchased by the CCC.

GENERAL PROGRAM STATEMENT

The California Conservation Corps (CCC) was established by Ch 342/76 (SB 1575, Smith) 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 (SB 2049, Garamendi) and Ch 1606/85 (SB 104, Garamendi) 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 18 residential base centers, 30 satellite centers, and a corpsmember training academy in Camp San Luis Obispo. The CCC also provides funding for 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 1,965 corpsmember-years plus 434.7 supervisory and administrative personnel-years.

CALIFORNIA CONSERVATION CORPS—Continued**MAJOR ISSUES**

- ☒ Discretionary expansion of corps members will cost General Fund an additional \$1.9 million.
- ☒ Supervisory support is over staffed at cost of \$421,000 to the General Fund.
- ☒ Unnecessary equipment purchases to cost General Fund \$491,000.

OVERVIEW OF THE BUDGET REQUEST

The budget proposes expenditures totaling \$61.3 million in 1990-91, an increase of \$4.4 million, or 7.8 percent, from total estimated current-year expenditures. Proposed expenditures in 1990-91 consist of (1) \$43.1 million from the General Fund, (2) \$5.9 million from the Energy Resources Programs Account (ERPA), (3) \$213,000 from the Public Resources Account in the Cigarette and Tobacco Products Surtax Fund, and (4) \$12 million in reimbursements, including payments from non-General Fund-supported departments for work done by the CCC.

The \$4.4 million increase in the corps' budget consists of (1) \$3.6 million to expand the budgeted corpsmember population by approximately 9 percent (from 1,965 to 2,140 corpsmembers), (2) a \$697,000 increase in reimbursement authority enabling the corps to expand projects it conducts for several other state agencies, (3) \$100,000 for additional lease and staff costs associated with relocating the corps' Humboldt Center, and (4) a \$54,000 net decrease due to various 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 16.1 personnel-years in the budget year. This staff increase is primarily due to the addition of supervisory personnel for the proposed corpsmember population expansion.

Table 1
California Conservation Corps
Budget Summary
1988-89 through 1990-91
(dollars in thousands)

	<i>Personnel-Years^a</i>			<i>Expenditures</i>			<i>Percent Change From 1989-90</i>
	<i>Actual 1988-89</i>	<i>Est. 1989-90</i>	<i>Prop. 1990-91</i>	<i>Actual 1988-89</i>	<i>Est. 1989-90</i>	<i>Prop. 1990-91</i>	
<i>Programs:</i>							
Orientation and training academy	29.3	30.9	31.2	\$3,771	\$3,846	\$3,854	0.2%
Base and fire centers	271.8	279.8	293.7	46,688	47,949	51,997	8.4
Energy program	18.1	17.6	17.7	2,856	2,904	3,065	5.5
Nonresidential program	—	—	—	2,287	2,143	2,350	9.7
Administration (distributed to other programs)	102.3	106.4	108.2	(4,475)	(4,428)	(4,611)	4.1
Totals	421.5	434.7	450.8	\$55,602	\$56,842	\$61,266	7.8%
<i>Funding Sources</i>							
<i>General Fund</i>				\$40,339	41,092	\$43,147	5.0%
<i>Energy Resources Programs Account, General Fund</i>				5,780	5,821	5,890	1.2
<i>Public Resources Account, Cigarette and Tobacco Products Surtax Fund</i>				—	213	213	—
<i>Reimbursements</i>				\$9,483	\$9,716	\$12,016	23.7

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

Proposed Budget Changes for 1990-91

Table 2 summarizes proposed budget changes for 1990-91, by funding source.

Table 2
California Conservation Corps
Proposed 1990-91 Budget Changes
By Program and Funding Source
(dollars in thousands)

	<i>General Fund</i>	<i>Other^a</i>	<i>Totals</i>
1989-90 Expenditures (revised)	\$41,092	\$15,750	\$56,842
<i>Proposed Changes:</i>			
<i>Administrative adjustments</i>			
Allocation for employee compensation	288	107	395
Back-out one-time costs	-237	—	-237
Full year effect of 1989-90 costs	—	76	76
Miscellaneous adjustments	10	-298	-288
Subtotals, administrative adjustments	(\$61)	(-\$115)	(-\$54)

CALIFORNIA CONSERVATION CORPS—Continued

Table 2—Continued
California Conservation Corps
Proposed 1990-91 Budget Changes
By Program and Funding Source
(dollars in thousands)

	<i>General Fund</i>	<i>Other^a</i>	<i>Totals</i>
<i>Budget change proposals:</i>			
Expand corpsmember program	\$1,933	\$1,748	\$3,681
Increase reimbursement authority for project materials	—	200	200
Increase reimbursement authority for recycling program	—	97	97
Increase reimbursement authority for fisheries enhancement	—	400	400
Relocate and expand Humboldt Fire Center	61	39	100
Subtotals, budget change proposals	<u>(\$1,994)</u>	<u>(\$2,484)</u>	<u>(\$4,478)</u>
1990-91 Expenditures (Proposed)	\$43,147	\$18,119	\$61,266
Change from 1989-90			
Amount	\$2,055	\$2,369	\$4,424
Percent	5.0%	15.0%	7.8%

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

ANALYSIS AND RECOMMENDATIONS

We recommend approval of the proposed changes shown in Table 2 that are not discussed elsewhere in this analysis.

Additional Supervisors Unnecessary If Corps Expands

We recommend a General Fund reduction of \$421,000 and 12.4 personnel-years because the corps already has sufficient staff to properly supervise additional corpsmembers the CCC proposes to hire. (Reduce Item 3340-001-001 by \$421,000.)

The budget requests \$3.9 million (\$1.9 million from the General Fund, \$1.7 million from various reimbursements, and \$275,000 from redirected baseline equipment funding) to fund the following:

- A total of 175 additional corpsmembers—162 in the corps' residential program and 13 in local corps managed under contract by local agencies—(\$2.9 million).
- 12.4 personnel-years of staff to supervise the new corpsmembers (\$408,000).
- Increased operating expenses resulting from the expansion (\$682,000).

There is no analytical basis for determining what the "right" size of the corps should be. Based on the past activity of the corps, it appears that more projects can be found for the corps to do, but many of these projects, although beneficial, will not be of an urgent or imperative nature. However, if the number of corpsmembers is expanded as proposed, our analysis indicates that the CCC currently has sufficient staff to properly supervise the additional corpsmembers without adding any new staff.

The CCC staffing policy indicates that corpsmember crews function most efficiently when there are roughly 13 corpsmembers to each supervisor. On the basis of this ratio, the corps should need only 120 staff to directly supervise projects conducted by the 1,554 corpsmembers who are stationed at the corps' 17 regular base centers. The corps' baseline budget, however, provides funding for 132 supervisors—12 more than necessary according to the corps' own staffing policy. Consequently, if the Legislature wants to expand the number of corpsmembers as proposed by the budget, we recommend that Item 3340-001-001 be reduced by \$421,000 and 12.4 personnel-years to reflect the CCC's established staffing ratio.

Alternatively, if the Legislature does not wish to expand the CCC beyond its present size, (1) Item 3340-001-001 could be reduced by \$2,668,000 and (2) scheduled reimbursements could be reduced by \$1.7 million to delete funds for (a) 175 corpsmember-years, (b) 24.4 personnel-years (12.4 staff proposed to expand the corps and 12 currently authorized staff positions in excess of the CCC's staffing ratio), and (c) equipment purchases the CCC does not consider essential and proposes to redirect to partially fund the expansion.

Budget Proposes Unnecessary Expenditures on Equipment

We recommend a General Fund reduction of \$491,000 to delete funds for equipment that is either unnecessary or has already been purchased by the CCC. (Reduce Item 3340-001-001 by \$491,000.)

The CCC has an inventory of equipment that consists of more than 500 vehicles, over 150 computers and numerous other types of equipment ranging from chainsaws (31) to televisions (37). For 1989-90, the Legislature approved a total of \$2.1 million for equipment including:

- \$868,000 for various pieces of equipment needed by the corps' base centers.
- \$690,000 to replace 8 older vehicles and add 37 additional vehicles to CCC's statewide fleet.
- \$410,000 to establish computer learning labs at the corps' base centers.
- \$110,000 for heavy equipment to be used by the corps' construction unit.
- \$75,000 for computers needed for central administration.

This year, the budget again requests a total of \$2.1 million for equipment. Our analysis indicates that this request is excessive for two reasons:

1. Request Does Not Account For Previous Purchases. The budget requests \$516,000 in 1990-91 for various pieces of equipment the corps indicates are needed by its base centers. The request, however, includes \$187,000 for 75 pieces of equipment for which the CCC received funding in the current year. Corps headquarters staff indicate that funding requested for the equipment was redirected to other, higher priority purposes. However, when we called CCC staff at several base centers to verify that the equipment was still needed, they indicated that at least

CALIFORNIA CONSERVATION CORPS—Continued

some of the equipment had already been purchased. Consequently, we see no justification for providing an additional appropriation for equipment already funded in the current year.

2. Request For Computers Appears Excessive. The budget requests \$304,000 to purchase 23 computers and 10 network servers. The CCC indicates this equipment is necessary to improve the ability of its administrative staff to electronically process and transfer various types of information. We note, however, that the corps already has at least 147 computers distributed among its headquarters and 18 base centers which are not part of the learning labs and are available for administrative use. Furthermore, the corps estimates that in the current year it will purchase 52 additional computers for administrative purposes. With a total of 179 computers available for (1) use by the corps' 108 central administrative staff positions and (2) distribution to base centers, the current request for more computers appears excessive.

Accordingly, we recommend that the budget request for equipment be reduced by a total of \$491,000 (from \$2.1 million to \$1.6 million) to eliminate (1) \$187,000 for equipment for which funding was previously allocated and (2) \$304,000 for additional computers that are unnecessary.

Capital Outlay

The Governor's Budget proposes an appropriation of \$416,000 in Item 3340-301-036 for capital outlay expenditure for the CCC. Please see our analysis of that item in the capital outlay section of this *Analysis* which is in the back portion of this document.

ENERGY RESOURCES CONSERVATION AND DEVELOPMENT COMMISSION

Item 3360 from various funds

Budget p. R 20

Requested 1990-91.....	\$72,621,000
Estimated 1989-90	116,637,000
Actual 1988-89	58,522,000
Requested decrease (excluding amount for salary increases) \$44,016,000 (—38 percent)	
Recommended reduction.....	412,000

1990-91 FUNDING BY ITEM AND SOURCE

Item—Description	Fund	Amount
3360-001-033—Energy conservation loans to schools, hospitals and local governments	State Energy Conservation Assistance Account, General	\$3,327,000
3360-001-044—Support Account	Motor Vehicle State Transportation	103,000
3360-001-465—Support	Energy Resources Programs Account, General	34,689,000

3360-001-479—Energy technology grants and loans	Energy Technologies Research, Development, and Demonstration Account, General	1,656,000
3360-001-853—Energy conservation assistance	Petroleum Violation Escrow Account (PVEA)	495,000
3360-001-854—Purchase school buses	Katz School Bus Fund, PVEA	2,627,000
3360-001-890—Support	Federal Trust	2,930,000
Ch 1340/86—Methanol demonstration project, program administration	Clean Fuels Account, PVEA	50,000
Ch 1338/86—Small business energy loan program administration	PVEA	40,000
Ch 1341/86—Farm energy loan program administration	PVEA	50,000
Ch 1343/86—Energy conservation assistance	Local Jurisdiction Energy Assistance Account, PVEA	2,105,000
Public Resources Code Section 25402.1—Fee Revenue	Energy Resources Programs Account, General	300,000
Ch 1426/88—Purchase school buses	Katz School Bus Fund, PVEA	20,000,000
Ch 1426/88—Purchase school buses program administration	PVEA	53,000
Ch 1436/88—Intervenor awards	PVEA	118,000
3360-101-497—Grants to local governments	Geothermal Resources Development Account, General	3,643,000
Reimbursements		435,000
Total		\$72,621,000

SUMMARY OF MAJOR FINDINGS AND RECOMMENDATIONS

*Analysis
page*

1. Federal Energy Export and Technology Grant. Recommend adoption of Budget Bill language (Item 3360-001-465) making \$111,000 in state matching funds contingent upon receiving written confirmation of a \$1 million federal grant award. 332
2. *Analysis of Clean Fuel Initiatives. Reduce Item 3360-001-465 by \$412,000 and 4.5 personnel-years because additional funding is not justified.* Recommend further that the commission advise the fiscal committees during budget hearings on its role in developing air quality regulations affecting state energy policies. 333

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 434.2 personnel-years in the current year.

OVERVIEW OF THE BUDGET REQUEST

The budget proposes expenditures totaling \$72.6 million from various state funds, federal funds, Petroleum Violation Escrow Account (PVEA) funds, and reimbursements for support of the Energy Commission in 1990-91. This is a net decrease of \$44 million, or 38 percent, below estimated current-year expenditures. Table 1 shows the Energy Commission's budget for the prior, current and budget years.

ENERGY RESOURCES CONSERVATION AND DEVELOPMENT COMMISSION—Continued

Table 1
California Energy Commission
Budget Summary
1988-89 through 1990-91
(dollars in thousands)

Program	Personnel-Years			Expenditures			Percent Change From 1989-90
	Actual 1988-89	Est. 1989-90	Prop. 1990-91	Actual 1988-89	Est. 1989-90	Prop. 1990-91	
Regulatory and planning.....	163.7	182.3	189.9	\$13,338	\$15,291	\$16,353	6.9%
Energy resources conservation ...	71.4	77.8	80.5	22,375	35,144	12,844	-63.5
Development.....	55.4	64.5	69.4	14,210	58,152	35,314	-39.3
Policy, management and admin- istration	102.4	109.6	108.0	8,599	8,050	8,110	1.4
Totals.....	392.9	434.2	447.8	\$58,522	\$116,637	\$72,621	-37.7%
Funding Sources							
Energy Resources Programs Account (ERPA)				\$30,092	\$32,961	\$34,989	6.2%
Energy Conservation Assistance Account				2,714	7,848	3,327	-57.6
Energy Technologies Research, Development and Demonstration Account.....				2,536	4,575	1,656	-63.8
Local Government Geothermal Resources Revolving Subaccount.....				2,936	2,008	3,643	81.4
Petroleum Violation Escrow Account				12,458	19,435	756	-96.1
Katz School Bus Fund.....				—	37,000	22,627	-38.8
Local Jurisdiction Energy Assistance Account				4,091	10,260	2,105	-79.5
Clean Fuels Account.....				2,114	914	50	-94.5
Motor Vehicle Account				93	101	103	2.0
Federal Trust Funds				1,132	1,385	2,930	111.6
Reimbursements.....				356	150	435	190.0

The decrease in total budget-year expenditures is due primarily to a decline in federal PVEA expenditures. The commission's PVEA spending totaled \$67.6 million in 1989-90. This amount will decline to \$25.5 million in the budget year, a decrease of \$42.1 million (-62 percent).

Of the \$25.5 million in PVEA funds in the commission's 1990-91 budget, \$22.6 million will be used for the purchase of school buses in cooperation with the Departments of Education and California Highway Patrol and \$2.9 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 1990-91, by funding source.

Table 2
California Energy Commission
Proposed 1990-91 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>Total</i>
1989-90 Expenditures (Revised)	\$32,961	\$62,86	\$1,385	\$19,435	\$116,637
<i>Baseline Adjustments</i>					
Employee compensation adjustments ..	454	2	—	106	562
Operating expenses	-72	—	—	—	-72
Subtotals, baseline changes	(382)	(2)	—	(106)	(490)
<i>Program Changes</i>					
<i>Regulatory and Planning Program</i>					
Local government permit assistance grants	—	-57	—	—	-57
Power plant compliance monitoring ..	116	—	—	—	116
Analyze air district control measures...	356	—	—	—	356
Analysis of clean fuels initiatives.....	412	—	—	—	412
Graphic artist, redirection of baseline contract.....	(45)	—	—	—	—
<i>Conservation Program</i>					
Sunset of the state energy conserva- tion program	25	-4,521	155	—	-4,341
Decrease in school/hospital grants	—	—	—	-2,890	-2,890
Decrease in regional training centers ..	—	—	—	-1,320	-1,320
Decrease in school district energy loan program	—	-2,301	—	—	-2,301
Decrease in local jurisdiction program ..	—	-5,797	—	—	-5,797
Decrease in small school district assis- tance	—	—	—	-850	-850
Decrease in farm energy loans	—	—	—	-1,954	-1,954
Decrease in traffic management pro- gram	—	—	—	-3,550	-3,550
Improve energy conservation esti- mates	276	—	—	—	276
Increased reimbursements for school hospital program	—	285	—	—	285
Develop existing building energy effi- ciency program	60	—	—	—	60
<i>Development Program</i>					
Decrease in school bus program	—	-14,373	—	—	-14,373
Decrease in Methanol Demonstration program	—	-864	—	—	-864
Decrease in small business loan pro- gram	—	—	—	-3,822	-3,822
Decrease in alternative fuels demon- stration program	—	—	—	-3,350	-3,350
Changes in energy technology ad- vancement program	123	-2,919	—	-1,000	-3,796
Increase in geothermal grants	—	1,635	—	—	1,635
Increase in export trade program	111	—	1,000	—	1,111
Increase in alternative fuel demon- stration program	—	—	390	—	390

ENERGY RESOURCES CONSERVATION AND DEVELOPMENT COMMISSION—Continued

Table 2—Continued
California Energy Commission
Proposed 1990-91 Budget Changes
(dollars in thousands)

	Energy Resources Programs Account	Other Funds ^a and Reim- bursements	Federal Funds	PVEA	Total
Implement Ch 1291/89—solar tax credit report.....	105	—	—	—	105
Implement Ch 940/89—evaluate clean diesel technologies.....	62	—	—	—	62
Policy, Management and Administration					
Decrease in intervenor award program.....	—	—	—	-49	-49
Subtotals, program changes.....	<u>(\$1,646)</u>	<u>(-\$28,912)</u>	<u>(\$1,545)</u>	<u>(-\$18,785)</u>	<u>(-\$44,506)</u>
1990-91 Expenditures (Proposed).....	\$34,989	\$33,946	\$2,930	\$756	\$72,621
Changes from 1989-90					
Amount.....	\$2,028	-\$28,910	\$1,545	-\$18,679	-\$44,016
Percent.....	6.2%	-46.0%	111.6%	-96.1%	-37.7%

^a Katz School Bus 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.

ANALYSIS AND RECOMMENDATIONS

Will Federal Funds Be Available for the Energy Technology Export Program?

We recommend adoption of Budget Bill language in Item 3360-001-465 making \$111,000 (and 2 personnel-years) in state matching funds proposed for the Energy Technology Export Program contingent upon receiving written confirmation of a \$1 million federal grant award.

The budget proposes \$111,000 from the Energy Resources Program Account (ERPA) to provide a state match for \$1 million of anticipated federal funds to continue the commission's Energy Technology Export Program. The purpose of this program is to (1) bring foreign decision-makers to California to see California energy projects, (2) collect data on specific energy projects and update information on California export opportunities, (3) fund market research and feasibility studies, and (4) assist California energy firms to obtain financing.

Based on our review, we believe the amount of the state match requested to continue this program is appropriate. At the time this analysis was written, however, the commission *had not received any written commitment from the federal government for the \$1 million grant*. Accordingly, we recommend that the \$111,000 in ERPA funding be made contingent on receiving a written commitment by the federal government. The following Budget Bill language in Item 3360-001-465 would implement this recommendation:

Of the funds appropriated in this item, \$111,000 and 2 personnel-years shall be available to match \$1 million in federal funds for the California Export Trade and Development Grant. This appropriation of state funds is contingent on receipt of written confirmation from the federal government of its intent to award the commission the \$1 million of federal funds for this purpose.

Are Additional Resources Needed To Study Clean Fuels?

We recommend deletion of \$412,000 and 4.5 personnel-years requested to analyze the effects of clean fuels, such as, methanol, on state energy policies because the additional funding is not justified. (Reduce Item 3360-001-465 by \$412,000). We further recommend that the commission advise the fiscal committees during budget hearings on the commission's role in the development of air quality regulations that affect state energy policies.

The budget proposes \$412,000 and 4.5 personnel-years from the Energy Resources Program Account to assess the impact of local, state and federal clean fuel initiatives on state energy policies. Specifically, these resources would be used to (1) assess the effect that clean fuel initiatives have on consumers and fuel and motor vehicle suppliers, and (2) develop recommendations for using market incentives to encourage the use of clean fuels. These recommendations would then be incorporated in the Energy Commission's biennial Fuels and Electricity reports.

Are These Additional Resources Really Needed? The Energy Commission argues that because it is the state's energy planning agency and because there is a strong link between clean fuels and energy, the commission needs the additional resources to better understand the potential effects of clean fuels and make recommendations to encourage their use. Our analysis, however, raises two concerns with the commission's proposal. First, it does not appear likely that the commission can complete its study in time to incorporate its findings in the Air Resources Board's (ARB) current effort to develop a regulatory framework for clean fuels. Second, absent this connection to the ARB's effort, it is not clear how the commission's findings and recommendations would be used, if at all.

The ARB's Regulatory Timeframe. The ARB is currently developing a major regulatory program on clean fuels and proposes adopting final regulations in September of 1990. Specifically, the ARB is proposing to adopt a "fuel pool averaging" program that was recommended by the Advisory Board on Air Quality and Fuel established by Chapter 1326, Statutes of 1987, (AB 234, Leonard). This program would require a reduction in the average air pollution emissions of fuels sold by each fuel supplier in the state. Fuel suppliers would have the flexibility to decide the mix of fuels to meet these reductions.

The ARB's short timeframe for adopting this program raises serious questions on the need for additional CEC funding to study clean fuels. Specifically, it does not appear that additional CEC resources are needed to analyze the impact of clean fuels if the state's major regulatory program on clean fuels will be adopted three months into the budget year. We believe the commission has a general responsibility to under-

ENERGY RESOURCES CONSERVATION AND DEVELOPMENT COMMISSION—Continued

stand the effects of clean fuels, however, it could redirect some portion of its existing budget for contracts (\$6 million) or personal services (\$25 million) to accomplish this.

What is the CEC's role in the Air Quality Regulatory Process? Our analysis also indicates that the Energy Commission's role in the area of air quality regulations is undefined. One of the stated purposes of the Energy Commission's request for additional resources is to develop recommendations on clean fuels to include in its biennial Fuels and Electricity reports. Although both of these documents are important energy policy planning documents, we cannot determine how any clean fuel recommendations included in them would be incorporated into the ARB's regulatory policies on clean fuels (where they logically belong). Our review indicates that there is no formal process between the ARB and the CEC to (1) incorporate CEC's recommendations into the ARB's regulatory process and (2) ensure that the state's energy and air quality policies and programs are consistent.

Recommendation. Based on our analysis, we find that the commission's request is not warranted because (1) the regulatory framework for clean fuels will be adopted prior to the commission completing the proposed study and (2) the commission has not adequately demonstrated how its findings and recommendations would otherwise be incorporated in state regulatory policies. Accordingly, we recommend deletion of \$412,000 and 4.5 personnel-years requested by the CEC to study the impact of clean fuels. In addition, we recommend that the commission advise the fiscal committees during budget hearings on its role in the development of air quality regulations that affect state energy policies.

CALIFORNIA INTEGRATED WASTE MANAGEMENT BOARD

Item 3380 from the General
Fund, the Solid Waste
Management Fund and
various funds

Budget p. R 35

Requested 1990-91	\$52,120,000
Estimated 1989-90	8,737,000
Actual 1988-89	5,103,000
Requested increase (excluding amount for salary increases) \$43,383,000 (+497 percent)	
Total recommended reduction	None
Recommendation pending	20,997,000

1990-91 FUNDING BY ITEM AND SOURCE

Item—Description	Fund	Amount
3380-001-226—Tire Recycling Act	Tire Recycling Management	\$3,288,000
3380-001-387—Integrated waste management plan	Integrated Waste Management Account, Solid Waste Management	25,781,000
3380-001-435—Landfill cleanup and maintenance	Solid Waste Disposal Site Cleanup and Maintenance Account, Solid Waste Management	12,767,000
3380-001-441—Tax expenditures	Waste Management Incentive Account, General	4,784,000
3380-002-435—Loan repayment	Solid Waste Disposal Site Cleanup and Maintenance Account, Solid Waste Management	(2,500,000)
3380-011-001—Transfer to Waste Management Incentive Account	General	(4,784,000)
3380-101-435—Local assistance grants, hazardous waste management	Solid Waste Disposal Site Cleanup and Maintenance Account, Solid Waste Management	5,500,000
Total		<u>\$52,120,000</u>

SUMMARY OF MAJOR FINDINGS AND RECOMMENDATIONS

- | | |
|--|--------------------------|
| | <i>Analysis
page</i> |
| 1. Integrated Waste Management Program. Withhold recommendation on approximately \$21 million requested for budget-year implementation of the new integrated waste management program pending receipt from the board of additional detail on workload and staffing. | 343 |
| 2. <i>Waste Management Incentive Account. Delete transfer Item 3380-011-001 in the amount of \$4,784,000 and expenditure Item 3380-001-441 also in the amount of \$4,784,000.</i> Recommend the elimination of (a) the transfer from the General Fund to the Waste Management Incentive Account and (b) the appropriation from the Waste Management Incentive Account to the board because these actions do not achieve the goal of offsetting the effects of recycling-related tax credits. | 344 |
| 3. Lassen College Trust Fund. Recommend that the board report at budget hearings on why it has not complied with the requirements of the 1989 Budget Act to revert monies in the trust to the General Fund. | 344 |

GENERAL PROGRAM STATEMENT

The California Integrated Waste Management Board (IWMB) is responsible, in conjunction with local agencies, for promoting waste management practices aimed at reducing the amount of waste that is disposed in landfills. These practices include: source reduction, recycling and composting, and environmentally safe transformation. In addition,

CALIFORNIA INTEGRATED WASTE MANAGEMENT BOARD—Continued

the board protects public health and safety through regulation of existing and new solid waste land disposal sites.

The board's activities include:

- Designating local agencies to enforce state minimum standards for handling solid waste and operating waste disposal facilities.
- Providing technical assistance to local governments and private firms.
- Reviewing and approving county integrated waste management plans (CIWMPs) and assisting the development of city and county source reduction and recycling elements.
- Aiding in market development for recycled materials, including tires, newsprint and oil.
- Providing public information and education on integrated waste management.
- Pursuing research and development in various areas of solid waste management.

The board currently has 89.5 personnel-years (PYs). However, the budget proposes to expand the number of personnel available to the board by 36.8 PYs in the current year.

OVERVIEW OF THE BUDGET REQUEST

The budget requests a total of \$52.1 million for support of the IWMB in 1990-91. This is \$43.4 million, or 497 percent, higher than estimated current-year expenditures. (Estimated current-year expenditures for the board include \$3 million not yet available to the board, but which the administration proposes to seek in separate legislation.) The increase is due almost entirely to proposed increases for implementation of integrated waste management legislation.

The requested expenditures include \$25.8 million from the Integrated Waste Management Account for support of the board's general regulatory responsibilities and \$18.3 million from the Solid Waste Disposal Site Cleanup and Maintenance Account for the board's landfill hazard reduction program. Both accounts are funded by waste disposal fees. The proposed expenditures also include \$4.8 million from the General Fund for payment of tax credits and \$3.3 million from the Tire Recycling Management Fund to promote the recycling of used tires.

Table 1 summarizes the staffing and expenditures for the board from 1988-89 through 1990-91. The table shows that significant increases in expenditures and staffing are proposed in both the current and budget years.

Table 1
California Integrated Waste Management Board
Budget Summary
1988-89 through 1990-91
(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>1988-89</i>	<i>1989-90</i>	<i>1990-91</i>	<i>1988-89</i>	<i>1989-90</i>	<i>1990-91</i>	<i>From</i>
							<i>1989-90</i>
Planning and Enforcement	39.3	58.0	150.0	\$2,884	\$4,896	\$18,425	276.3%
Disposal Site Cleanup and Maintenance.....	15.2	19.7	25.1	733	1,000	18,267	1,726.7
Waste Reduction and Resource Recovery.....	14.2	25.9	76.9	1,486	2,841	12,140	327.3
Tire Recycling.....	—	—	4.3	—	—	3,288	— ^a
Administration (distributed to other programs)	13.9	22.7	50.4	(1,225)	(2,339)	(4,802)	105.3
Totals.....	82.6	126.3	306.7	\$5,103	\$8,737	\$52,120	496.5%
Funding Sources							
General Fund.....				\$4,370	\$4,732	\$4,784	1.1%
Tire Recycling Management Fund.....				—	—	3,288	— ^a
Integrated Waste Management Fund.....				—	3,005 ^b	25,781	757.9
Solid Waste Disposal Site Cleanup and Maintenance Account.....				733	1,000	18,267	1,726.7
Waste Management Incentive Account.....				—	—	(4,784)	— ^a

^a Not a meaningful figure.

^b The administration will seek legislation to appropriate this amount to the board in the current year.

Proposed Budget Changes for 1990-91

Table 2 summarizes, by fund, the proposed changes in the board's budget for 1990-91. The table shows that the proposed \$43.4 million net increase in expenditures includes:

- An increase of \$22.8 million from the Integrated Waste Management Account for support of the board's expanded regulatory and planning activities.
- An increase of \$17.3 million from the Disposal Site Cleanup and Maintenance Account. This includes increases of \$11.8 million in support and \$5.5 million in grants to local agencies for hazardous waste reduction programs.
- An increase of \$3.3 million from the Tire Recycling Management Fund to implement a new tire recycling program.

CALIFORNIA INTEGRATED WASTE MANAGEMENT BOARD—Continued

Table 2
California Integrated Waste Management Board
Proposed Budget Changes
1990-91
(dollars in thousands)

	<i>General Fund</i>	<i>Tire Recycling Manage- ment Fund</i>	<i>Integrated Waste Manage- ment Account</i>	<i>Solid Waste Disposal Site Cleanup Account^a</i>	<i>Waste Manage- ment Incentive Account</i>	<i>Total</i>
1989-90 Expenditures (Budget Act)...	\$4,612	—	—	\$148	—	\$4,760
<i>Adjustments, 1989-90:</i>						
Employee compensation adjust- ment.....	120	—	—	—	—	120
Expenditure of prior-year loan	—	—	—	852	—	852
Proposed appropriation for start-up costs	—	—	\$3,005 ^b	—	—	3,005
1989-90 Expenditures (Revised).....	\$4,732	—	\$3,005	\$1,000	—	\$8,737
<i>Baseline Adjustments, 1990-91:</i>						
Shift baseline funding	-\$4,372	—	\$4,732	—	—	—
Employee compensation increases and other administrative adjust- ments.....	—	—	52	—	—	\$52
Delete one-time start-up costs	—	—	-3,005	—	—	-3,005
Subtotals, baseline adjustments... (-\$4,732)	—	—	(\$1,779)	—	—	—
<i>Program Changes, 1990-91:</i>						
Implementation of the Integrated Waste Management Program:						
Support.....	—	—	\$20,997	—	—	\$20,997
Transfer to Waste Management Incentive Account	\$4,784	—	—	—	-\$4,784	—
Tax credit financing	—	—	—	—	4,784	4,784
Disposal Site Cleanup and Mainte- nance Program:						
Support.....	—	—	—	\$11,767	—	11,767
Local assistance	—	—	—	5,500	—	5,500
Tire recycling program	—	\$3,288	—	—	—	3,288
Subtotals, program changes.....	(\$4,784)	(\$3,288)	(\$20,997)	(\$17,267)	—	—
1990-91 Expenditures (Proposed).....	\$4,784	\$3,288	\$25,781	\$18,267	—	\$52,120
<i>Change from 1989-90:</i>						
Amount	\$52	\$3,288	\$22,776	\$17,267	—	\$43,383
Percent	1.1%	— ^c	757.9%	1,726.7%	—	496.5%

^a Solid Waste Disposal Site Cleanup and Maintenance Account.

^b The administration will seek legislation to appropriate this amount to the board in the current year.

^c Not a meaningful figure.

ANALYSIS AND RECOMMENDATIONS

As shown in Table 2, the board proposes three major program changes in 1989-90 and 1990-91. These include: (1) implementation of the integrated waste management program, (2) full funding of the Solid

Waste Disposal Site Cleanup and Maintenance Support program (originally enacted by Ch 1319/87 [AB 2448, Tanner]), and (3) implementation of the Tire Recycling Program (Ch 974/89 [AB 1843, W. Brown]). Our review indicates that the board's proposals for the Disposal Site Cleanup and Tire Recycling Programs are reasonable and appropriate. Consequently, we recommend approval of these proposals.

Overview of New Integrated Waste Management Requirements

In 1989, the Legislature enacted a complex package of bills—summarized in Chart 1—that revamped California's solid waste management policies. Chapter 1095, Statutes of 1989 (AB 939, Sher), contains the major elements of this new, *integrated* approach to waste management. Chapter 1095 specifies:

- Goals for reducing the disposal of solid waste in each city and county by 25 percent by 1995, and by 50 percent by 2000.
- A hierarchy of methods to meet the waste reduction goals which includes, in order of priority: source reduction, recycling and composting, and incineration and landfilling.
- Continued emphasis on local responsibility for solid waste management.

Other provisions of the integrated waste management (IWM) legislation include:

- Replacement of County Solid Waste Management Plans by County Integrated Waste Management Plans (CIWMPs), which include county waste facility siting elements and city and county source reduction and recycling elements (SR&REs).
- Revised and more detailed standards for the certification of local enforcement agencies (LEAs) by the IWMB.
- Annual state and local inspections of solid waste landfills. Previously, the state was required to inspect landfills only once every four to five years.

Financing Integrated Waste Management. The Legislature imposed several new fees in order to finance state and local integrated waste management activities. These fees, primarily imposed on waste haulers and landfill operators, include annual waste discharge ("tipping") fees to fund state and local disposal site cleanup programs—adjusted to yield revenues of \$20 million per year—and quarterly tipping fees to fund most other state integrated waste management activities. The quarterly fees are expected to produce \$5 million in the current year and \$28 million in 1990-91. The Legislature also enacted used tire disposal fees to finance the tire recycling program. The board estimates that these fees will produce revenues of \$5.4 million annually. In addition, Chapter 1095 allows cities and counties to increase waste disposal fees to fund the development and implementation of local integrated waste management plans.

CALIFORNIA INTEGRATED WASTE MANAGEMENT BOARD—Continued**Chart 1****Integrated Waste Management
Chaptered Legislation of 1989**

Bill	Chapter	Author	Subject
AB 939	1095	Sher	Integrated waste management planning and implementation; created the IWMB; recodified most solid waste management statutes.
AB 4	1094	Eastin	Recycled product procurement programs.
AB 888	809	La Follette	Household hazardous waste collection.
AB 1041	498	La Follette	Report on plastics recycling.
AB 1101	541	La Follette	Notification of cost of residential garbage services.
AB 1196	908	Tanner	Local assistance grants to prevent disposal of hazardous waste in landfills.
AB 1305	1093	Killea	Recycled newsprint.
AB 1306	1092	Killea	Recycled paving materials.
AB 1307	285	Killea	Industrial development bonds for producing with recycled materials.
AB 1308	1091	Killea	Recycling equipment tax credits.
AB 1408	1260	Tanner	Solid waste permit fee limitations.
AB 1570	1226	Sher	Recycled oil purchase and information.
AB 1843	974	W. Brown	Tire recycling and disposal.
AB 2295	1247	Cortese	Sludge as fertilizer.
SB 432	1090	Alquist	Recycling equipment investment tax credit for individuals.
SB 1322	1096	Bergeson	State integrated waste management programs.

Budget Proposal for Implementation of Chapter 1095

In the current year, the board is proposing, through separate legislation (AB 1820, Sher), an appropriation of \$3 million for implementation of Chapter 1095. These funds would be used to support an additional 36.8 PYs and \$215,000 in contracts for activities initially required to implement the IWM program. Table 3 summarizes the board's staffing and contract

Table 3
California Integrated Waste Management Board
Implementation of Chapter 1095, Statutes of 1989
New Personnel and External Contract Resources
1989-90 and 1990-91
(dollars in thousands)

Program and Element	Description	Proposed New Personnel and Contract Resources			
		1989-90		1990-91	
		Personnel- Years	Contracts	Personnel- Years ^a	Contracts
1. Planning and Enforcement					
a. Local and State Planning	Regulations and technical assistance for the development of CIWMPs, city and county SR&REs, and county siting elements; development of the state IWMP.	1.9	\$50	43.4	\$250
b. Facilities	LEA certifications; landfill inspections; land disposal R&D; household hazardous waste reduction; landfill operator financial responsibility regulations and enforcement; abandoned sites; specialty waste regulations.	15.6	—	59.5	250
Subtotals, planning and enforcement		(17.5)	(\$50)	(102.9)	(\$500)
2. Waste Reduction and Resource Recovery					
a. Waste Reduction	Source Reduction Advisory Committee; research and technical assistance for the reduction of residential and commercial solid waste; plastics recycling research; waste reduction evaluations of public and private waste generators.	3.5	\$20	16.2	\$180
b. Markets Development	Recycling Market Development Commission; recycling development zones; recycling tax credits.	2.9	95	11.1	30

CALIFORNIA INTEGRATED WASTE MANAGEMENT BOARD—Continued

Table 3—Continued
California Integrated Waste Management Board
Implementation of Chapter 1095, Statutes of 1989
New Personnel and External Contract Resources
1989-90 and 1990-91
(dollars in thousands)

<i>Program and Element</i>	<i>Description</i>	<i>Proposed New Personnel and Contract Resources</i>			
		<i>1989-90</i>		<i>1990-91</i>	
		<i>Personnel- Years</i>	<i>Contracts</i>	<i>Personnel- Years^a</i>	<i>Contracts</i>
c. Procurement.....	Public and private procurement requirements for recycled or composted products (jointly with the Department of General Services)	1.6	—	10.2	300
d. Recovery.....	State office paper recycling; recycling research and development (R&D).	1.0	50	6.0	1,190
e. Transformation	Studies of hazards of incineration processes and other waste hazards.	—	—	3.4	950
f. Public Information, Education and Litter Abatement	Encourage public, industry, business and government support of IWM; develop college curricula; promote litter reduction.	0.6	—	9.4	2,750
Subtotals, waste re- duction and resource recovery		(9.6)	(\$165)	(56.3)	(\$5,400)
3. Administration					
a. Support services	Administrative, legal, financial, legislative, and EDP support.	4.8	—	16.2	\$300
b. Executive manage- ment	Integrated Waste Management Board members, advisors, and staff.	4.9	—	17.0	—
Subtotals, administra- tion.....		(9.7)	—	(33.2)	(\$300)
Totals, new personnel and contract re- sources		36.8	\$215	192.4	\$6,200

^a Includes personnel-years proposed to be added in 1989-90.

request for the current and budget years. As the table shows, nearly one-half of the staff proposed for the current year would certify LEAs, begin annual inspections of waste disposal sites, and perform other activities related to facilities regulation. Current-year contract funds primarily would support workshop development and financial consulting.

Table 3 also shows that the board's staffing and contract proposal for 1990-91 (1) continues the resources proposed for the current year and (2) adds another 155.3 PYs to the board. Most of the new resources would be used for planning and inspection activities. In addition, the budget proposes \$6.2 million in contracts in 1990-91 for regulation development, extensive technical studies, public information programs, training, curricula development, legal services, and workshop presentations.

Chapter 1095 Implementation Proposal Not Fully Documented

We withhold recommendation on approximately \$21 million requested for implementation of the new integrated waste management program in the budget year, pending receipt from the board of additional detail on workload and staffing. (Withhold recommendation on \$20,997,000 in Item 3380-001-387.)

The board's staff indicates that most of the activities required by Chapter 1095 represent *expansions* of current board functions, rather than completely new programs. Consequently, our review indicates that it should have been possible for the board to develop staffing standards and workload indicators for the new positions necessary to implement Chapter 1095. The board's proposed implementation plan, however, does not contain this information.

For example, the board proposes 10 positions in the budget year to perform waste reduction evaluations, but the proposal does not identify the number of evaluations the board expects to perform each year or the length of time projected to perform an evaluation. The Legislature cannot adequately evaluate the board's staffing proposals without this information.

The board's implementation proposal also does not indicate the order or timing of the many tasks required to meet statutory deadlines for the issuance of regulations, the implementation of programs, and the submission of reports. Without additional detail on intermediate target dates, the Legislature cannot assess the board's ability to meet the statutory deadlines, given the proposed level of staffing and other resources.

Staff have indicated that better information on workload, staffing standards, and target dates will be available soon. As a result, we withhold recommendation on the funding for the board's integrated waste management implementation plan pending receipt and review of this information.

**CALIFORNIA INTEGRATED WASTE MANAGEMENT BOARD—Continued
OTHER ISSUES****Incentive Account Transfer Fails to Offset Tax Credits**

We recommend that the Legislature eliminate (1) the transfer of \$4.8 million from the General Fund to the Waste Management Incentive Account (WMIA) and (2) the corresponding appropriation from the WMIA to the board because these actions do not achieve the goal of offsetting the effects of recycling-related tax credits. (Reduce transfer Item 3380-011-001 by \$4,784,000 and reduce expenditure Item 3380-001-441 by \$4,784,000.)

Chapter 1095 created the WMIA and stated legislative *intent* that \$5 million be transferred annually from the General Fund to the account. The act earmarked the funds in the account to offset revenue losses to the General Fund from tax credits for certain integrated waste management activities. The budget proposes to transfer \$4.8 million from the General Fund to the WMIA at the beginning of 1990-91. The funds would be held in the account for transfer back to the General Fund to pay the General Fund cost of integrated waste management tax credits. The budget also proposes to transfer any WMIA funds in excess of those needed for tax credit reimbursements back to the General Fund at the end of the fiscal year. Our analysis indicates that this transfer mechanism (1) does not affect the net balance in the General Fund and (2) unnecessarily prevents the use of the transferred funds for other legislative priorities. Consequently, we recommend that the Legislature delete Items 3380-011-001 and 3380-001-441 in order to eliminate both the transfer to, and the appropriation from, the Waste Management Incentive Account.

Lassen College Trust Funds Still in Limbo

We recommend that the board report at budget hearings on why it has not complied with the requirements of the 1989 Budget Act to revert monies in the Lassen College Cogeneration and Training Facility Trust Fund to the General Fund.

In our 1989-90 *Analysis*, we pointed out that the Lassen College Cogeneration and Training Facility Trust Fund would be unable to fulfill its purpose and that the monies in the trust should be reverted to the General Fund. In response, the Legislature included a provision in the 1989 Budget Act which required the board to transfer all monies remaining in the trust to the General Fund by July 1, 1989. Our review indicates that the board has not yet complied with this requirement.

Discussions with board staff indicate that (1) no action was taken on this matter until October 1989, when staff called Lassen College to check on the status of the trust, (2) the trust currently contains more than \$260,000 in two separate accounts, and (3) at the time of this analysis, the board still had not sent a formal request to the college asking that the trust be dissolved and the funds be reverted to the state.

Based on these discussions, we recommend that the board report at budget hearings on its past and planned actions with regard to the Lassen College trust and 1989 Budget Act requirements.

AIR RESOURCES BOARD

Item 3400 from the General
Fund and special funds

Budget p. R 43

Requested 1990-91	\$90,451,000
Estimated 1989-90	89,713,000
Actual 1988-89	70,931,000
Requested increase (excluding amount for salary increases) \$738,000 (+0.8 percent)	
Total recommended reduction	None
Recommendation pending	2,027,000

1990-91 FUNDING BY ITEM AND SOURCE

Item—Description	Fund	Amount
3400-001-001—Support	General	\$2,961,000
3400-001-044—Support	Motor Vehicle Account, State Transportation	49,461,000
3400-001-115—Support	Air Pollution Control	8,759,000
3400-001-140—Support	Environmental License Plate	1,104,000
3400-001-164—Marine fisheries mitigation pro- gram	Outer Continental Shelf Lands Act, Section 8 (g) Revenue	1,850,000
3400-001-421—Inspection and maintenance pro- gram	Vehicle Inspection and Repair	8,818,000
3400-001-434—Toxic hot spots	Air Toxics Inventory and As- sessment Account, General	2,264,000
3400-001-465—Cogeneration	Energy Resources Programs Account, General	203,000
3400-001-890—Support	Federal Trust	3,088,000
3400-101-044—Subventions to air pollution con- trol districts	Motor Vehicle Account, State Transportation	7,511,000
Reimbursements	—	4,432,000
Total		\$90,451,000

SUMMARY OF MAJOR FINDINGS AND RECOMMENDATIONS

1. Implementation of the California Clean Air Act. Withhold recommendation on \$2,027,000 from the Air Pollution Control Fund pending further review of the department's proposal.

Analysis
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AIR RESOURCES BOARD—Continued

2. Unidentified Costs of Smog Check Evaluation. The budget 349
proposes \$3.3 million to fund the first year of a multi-year
effort to implement Ch 1544/88. These costs were not
identified by the board when the Legislature considered this
legislation.

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 oversee implementation plans for the attainment and maintenance of both state and 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 752 personnel-years in the current year.

OVERVIEW OF THE BUDGET REQUEST

The budget proposes total expenditures of \$90.5 million for the Air Resources Board in 1990-91. This is an increase of \$738,000, or 0.8 percent, over estimated expenditures for the current year. However, although the total proposed budget is not substantially larger than in the current year, the budget proposes a \$10.6 million increase in the air pollution control program. This increase is attributed primarily to (1) \$2 million to continue implementation of the California Clean Air Act (CCAA) (Ch 1568/88 [AB 2595, Sher]), (2) \$3.3 million to conduct vehicle tests in order to assess the effectiveness of recently enacted Smog Check program changes, and (3) \$887,000 for analysis and testing of alternative fuels for motor vehicles. The increase in the air pollution program is offset by the deletion of \$7.9 million in one-time current-year expenditures for the Environmental Affairs Agency (which is included in the ARB budget).

Table 1 summarizes the staffing and expenditures for the board from 1988-89 through 1990-91. It shows that the budget proposes to increase the board's staff by 58.9 personnel-years, primarily to implement the CCAA and to expand testing of vehicles for the Smog Check program. Table 2 shows the proposed budget changes, by funding source, for the board in 1990-91.

Table 1
Air Resources Board
(Including Environmental Affairs Agency)
Budget Summary
1988-89 through 1990-91
(dollars in thousands)

Program:	Personnel-Years			Expenditures			Percent
	Actual 1988-89	Est. 1989-90	Prop. 1990-91	Actual 1988-89	Est. 1989-90	Prop. 1990-91	Change From 1989-90
Air Pollution Control Program							
Technical Support	109.4	131.3	134.1	\$12,309	\$15,144	\$14,608	-3.5%
Stationary Source	96.5	102.3	105.2	14,570	15,686	16,963	8.1
Mobile Source	131.4	168.6	206.4	12,347	16,383	22,026	34.4
Compliance	52.8	50.2	55.0	4,606	4,952	5,603	13.1
Monitoring and Laboratory	117.8	121.6	128.2	12,220	13,572	14,779	8.9
Research	43.1	49.5	50.5	8,255	12,307	12,636	2.7
General Support:							
Distributed to Programs	108.3	112.8	112.8	(7,381)	(8,791)	(9,594)	9.1
Undistributed	0.3	1.0	1.0	7	22	22	—
Environmental Affairs Program ..	16.7	14.7	17.7	6,617	11,647	3,814	-67.3
Totals	676.3	752.0	810.9	\$70,931	\$89,713	\$90,451	0.8%
Funding Sources							
General Fund				\$2,813	\$2,916	\$2,961	1.5%
Motor Vehicle Account, State Transportation Fund				47,883	56,613	56,972	0.6
Air Pollution Control Fund				2,389	7,539	8,759	16.2
California Environmental License Plate Fund				4,084	289	1,104	282.0
Outer Continental Shelf Land Act Section 8(g) Revenue Fund				—	1,950	1,850	-5.1
Vehicle Inspection and Repair Fund				2,055	4,245	8,818	107.7
Air Toxics Inventory and Assessment Account, General Fund ..				982	1,392	2,264	62.6
Energy Resources Programs Account, General Fund				188	199	203	2.0
Offshore Energy Assistance Fund				38	2,450	—	-100.0
Local Coastal Program Improvement Fund				3,392	5,498	—	-100.0
Federal Funds				5,019	3,041	3,088	1.5
Reimbursements				2,088	3,581	4,432	23.8

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.

AIR RESOURCES BOARD—Continued

Table 2
Air Resources Board
(Including Environmental Affairs Agency)
Proposed 1990-91 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 Reimburse- ments</i>	<i>Total</i>
1989-90 Expenditures (Revised).....	\$2,916	\$56,613	\$7,539	\$16,023	\$6,622	\$89,713
<i>Baseline Adjustments:</i>						
Deletion of one-time expenditures .	2	-161	-730	-8,444	—	-\$9,333
California Clean Air Act—limited- term positions	—	—	-203	—	—	-203
Full-year costs heavy duty diesel ...	—	—	—	677	—	677
Expiring programs - San Joaquin Valley.....	—	-750	—	-250	—	-1,000
Technical adjustments	—	—	—	-1,950	—	-1,950
Price/employee compensation.....	43	1,065	112	99	63	1,382
Miscellaneous	—	205	14	321	-1	539
Subtotals, workload and adminis- trative adjustments.....	(\$45)	(\$359)	(-\$807)	(-\$9,547)	(\$62)	(-\$9,888)
<i>Program Changes:</i>						
Inspection/maintenance (I/M) program:						
Replace worn equipment.....	—	—	—	\$944	—	\$944
Evaluate program with vehicle testing	—	—	—	3,301	—	3,301
Implement chaptered legislation:						
Implement Ch 1568/88-California Clean Air Act	—	—	\$2,027	—	—	2,027
Implement Ch 1252/87-Air Tox- ics "Hot Spots" Act	—	—	—	781	—	781
Implement Ch 938/89-reporting compliance handbook.....	—	—	—	—	\$100	100
Vapor recovery systems certifica- tion	—	—	—	—	277	277
Statewide instrumentation procure- ment & support system.....	—	—	—	—	371	371
Analysis and testing of alternative fuels for motor vehicles.....	—	—	—	887	—	887
Environmental Affairs Agency:						
Continue mitigation program for fisheries.....	—	—	—	1,850	—	1850
Environmental assessors pro- gram	—	—	—	—	88	88
Subtotals, program changes.....	(—)	(—)	(\$2,027)	(\$7,763)	(\$836)	(\$10,626)
1990-91 Expenditures (Proposed)	\$2,961	\$56,972	\$8,759	\$14,239	\$7,520	\$90,451
Change from 1989-90:						
Amount	\$45	\$359	\$1,220	-\$1,784	\$898	\$738
Percent	1.5%	0.6%	16.2%	-11.1%	13.6%	0.8

California Clean Air Act Implementation Needs Further Review

We withhold recommendation on \$2,027,000 from the Air Pollution Control Fund to continue implementation of the California Clean Air Act, pending receipt and review of the board's long-term plan.

In 1989-90, the Legislature approved \$5.4 million for implementing the first phase of Ch 1568/88 (AB 2595, Sher), known as the California Clean Air Act (CCAA). In addition, in the *Supplemental Report of the 1989 Budget Act*, the Legislature directed the ARB to develop a plan that would (1) document staff time necessary to complete the tasks required by Chapter 1568 and (2) identify resources that could be redirected to future activities related to the act. The Legislature adopted this reporting requirement because the board had not yet developed a long-term implementation plan defining the full scope of future phases of CCAA-related activities, and estimating the impact of these activities on the board's future resource needs.

For 1990-91, the budget proposes continued implementation of the CCAA at an additional cost of \$2,027,000. This proposal includes approximately \$133,000 for the continuation of limited-term positions, \$653,000 to establish 13 additional permanent positions, \$460,000 for new contracts, and \$781,000 for operating expenses and equipment. According to the board, the additional resources are necessary to expand in-use vehicle compliance testing programs, improve emission accounting, provide technical assistance to local districts, monitor air quality at new sites, and continue to develop certification and durability criteria for automobile manufacturers.

At the time this analysis was written, the board had not yet submitted to the Legislature its long-term implementation plan for the CCAA. The report should include current and future workload data that would be useful to the Legislature in reviewing the extent to which resources provided in the current year can be redirected to support new budget-year activities. Accordingly, we withhold recommendation, pending receipt and review of the board's implementation plan.

Surprising Costs for Smog Check Program Evaluations

The budget proposes \$3.3 million of expenditures in the first year of a multi-year effort to implement reporting requirements of Ch 1544/88 (SB 1997, Presley). At the time the legislation was considered, the board identified no additional costs.

Chapter 892, Statutes of 1982 (SB 33, Presley), created a biennial motor vehicle inspection and maintenance (I/M) program, also known as the Smog Check program. Aimed at reducing automobile emissions by 10 percent, the original Smog Check program required (1) motorists to obtain an emissions test every two years; (2) created the California Inspection and Maintenance Review Committee, consisting of a member of the Air Resources Board and members of air pollution control districts affected by the program; and (3) required the committee to report specified information to the Legislature every two years.

Based on findings and recommendations included in a 1987 report to the Legislature prepared by the board, Ch 1544/88 (SB 1997, Presley)

AIR RESOURCES BOARD—Continued

extended the I/M program and set as a goal additional emission reductions of 25 percent by 1994. In addition, it (1) increased enforcement of visual and functional vehicle check requirements, (2) added a new roadside inspection program for heavy-duty vehicles and new test equipment for smog check stations, (3) increased the repair cost ceiling for vehicles that fail the smog test, and (4) continued the I/M review committee and the biennial reporting requirements.

In response to the continued reporting requirement, the I/M review committee requested that the board perform new tests and update its analyses of smog check effectiveness. Consequently, the ARB proposes to use additional Vehicle Inspection and Repair Fund (VIRF) resources (\$3.3 million in 1990-91 and \$2.5 million annually thereafter) to test 1,200 vehicles in order to (1) gather new data, (2) determine whether the program has met the 1994 goal of a 25 percent reduction in emissions, (3) submit a major program evaluation to the Legislature in 1995, and (4) perform a subsequent testing procedure and submit another major report in 1998-99, when the program is scheduled to sunset. The 1995 report will provide the Legislature with an assessment of the overall emission reductions that occurred due to the I/M program, as well as identify further improvements for the program.

Senate Bill 1997 Report Costs not Identified. At the time the Legislature considered SB 1997, the board did not identify any costs to perform the tests and produce the reports identified in the measure. In fact, the board stated that it already had sufficient resources to meet the reporting requirements of the new bill. Now, the board states that, in its view, (1) the cost of gathering data is higher than in the 1987 study and (2) the evaluation is not of sufficiently high priority to warrant redirection of resources from the current ongoing vehicle testing program.

Effect of redirection on current vehicle testing program is unknown. Given that the board previously had identified the costs of the study requirement as absorbable, we asked the ARB to list the current activities that would be left undone if the board were required to redirect resources to fund the SB 1997 reporting requirements. In response, the board asserts that it is unable to identify *specific* activities from which resources would be redirected were the board to conduct the I/M testing program within existing resources. However, based on current expenditures, the board indicates that a redirection would affect some or all of the following activities:

- Analysis of alternative fuels, such as methanol or reformulated gasoline.
- Analysis of new technology, such as on-board computer diagnostic systems, diesel traps, and new catalyst systems.
- Emissions tests for cars currently in use.
- Compliance testing of vehicles at ports of entry.
- Special projects.

These various activities result in board estimates of total vehicle emissions and provide the basis for forecasts of future vehicle emissions and estimates of the benefit of potential control measures.

Conclusion. Because the board has been unwilling or unable to identify *specific* current activities that would be reduced in order to meet the requirements of SB 1997, we cannot advise the Legislature as to whether the ARB could absorb — as it originally asserted — all or a portion of the reporting costs within its ongoing vehicle testing program without significant impact on the effectiveness of its overall program.

COLORADO RIVER BOARD

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

Budget p. R 54

Requested 1990-91	\$877,000
Estimated 1989-90	858,000
Actual 1988-89	662,000
Requested increase (excluding amount for salary increases) \$19,000 (+2.2 percent)	
Total recommended reduction	None

1990-91 FUNDING BY ITEM AND SOURCE

Item—Description	Fund	Amount
3460-001-001—Support	General	\$283,000
3460-001-140—Support Reimbursements	Environmental License Plate	8,000
		<u>586,000</u>
Total		\$877,000

GENERAL PROGRAM STATEMENT

The Colorado River Board is responsible for protecting the state's rights to water and power resources of the Colorado River. At present the river accounts for approximately 65 percent of the water used in southern California. Because six other states and Mexico also claim a portion of the river's supply, the amount of water available for California could decrease in future years. Consequently, the board seeks to protect California's water rights 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

COLORADO RIVER BOARD—Continued

and other states, litigation concerning operation of the river, and seeking congressional action concerning water development, water quality and program funding.

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 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 1990-91 budget proposed for the board from all sources is \$877,000, an increase of \$19,000 or 2.2 percent, over the current year. This increase primarily reflects salary and wage adjustments. The amount requested consists of \$291,000 (33 percent) in state funds and \$586,000 (67 percent) in reimbursements from the six water agencies. The state funds consist of \$283,000 from the General Fund and \$8,000 from the Environmental License Plate Fund.

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

DEPARTMENT OF CONSERVATION

Item 3480 from the General

Fund and various funds

Budget p. R 56

Requested 1990-91	\$284,408,000
Estimated 1989-90	216,188,000
Actual 1988-89	155,200,000
Requested increase (excluding amount	
for salary increases) \$68,220,000 (+32 percent)	
Total recommended reduction	None

1990-91 FUNDING BY ITEM AND SOURCE

Item—Description	Fund	Amount
3480-001-001—Support	General	\$15,206,000
3480-001-035—Surface Mining and Reclamation Program	Surface Mining and Reclamation Account, General	2,066,000
3480-001-042—Caltech Seismograph Network	State Highway Account, State Transportation	12,000
3480-001-133—Support	California Beverage Container Recycling	23,049,000
3480-001-141—Support	Soil Conservation	1,148,000
3480-001-144—Caltech Seismograph Network	California Water	12,000
3480-001-398—Support	Strong-Motion Instrumentation Program	3,270,000
3480-001-890—Support	Federal Trust	632,000
Ch 1290/86—Beverage Container Recycling	California Beverage Container Recycling	172,601,000
Ch 1290/86 and Ch 1339/89—Container Redemption Bonuses	Redemption Account	65,239,000
Reimbursements	—	1,173,000
Total		\$284,408,000

SUMMARY OF MAJOR FINDINGS AND RECOMMENDATIONS

- | | |
|--|-------------------------|
| 1. Effect of Integrated Waste Management Program on Recycling Workload. Recommend that the department report at budget hearings on (a) potential effects of new waste management laws on Division of Recycling workload and (b) plans for coordinated activities with the new waste board. | Analysis
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358 |
| 2. Establishment of Financial Analysis Unit. Recommend establishing unit on a permanent—rather than limited-term—basis because need for unit will increase over time. | 358 |

GENERAL PROGRAM STATEMENT

The Department of Conservation (DOC) 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 certain types of beverage 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 502.6 personnel-years in the current year.

DEPARTMENT OF CONSERVATION—Continued**MAJOR ISSUES**

- ☒ Department expenditures will rise by 32 percent primarily as a result of Legislative changes to the Beverage Container Recycling Program. These changes increase incentives for recycling by increasing payments to recyclers.
- ☒ Budget does not adequately address the effects of increased recycling incentives on department workload:
 - Recycling technical assistance activities are not coordinated with the new Integrated Waste Management Board.
 - Financial Analysis Unit positions are proposed for a limited term—rather than permanent—basis.

OVERVIEW OF THE BUDGET REQUEST

The department proposes expenditures totaling \$284.4 million in 1990-91, an increase of \$68.2 million, or 32 percent, from current-year estimated expenditures. The proposed increase is the net result of (1) program increases totaling \$68.6 million (almost entirely in the Division of Recycling) and (2) workload and administrative decreases totaling \$381,000.

Proposed expenditures in 1990-91 primarily consist of (1) \$15.2 million from the General Fund, (2) \$6.5 million from various special funds, (3) \$261 million from beverage container recycling fees and (4) \$1.2 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 26.3 personnel-years in 1990-91.

Table 1
Department of Conservation
Budget Summary
1988-89 through 1990-91
(dollars in thousands)

	<i>Personnel-Years</i>			<i>Expenditures</i>			<i>Percent Change From 1989-90</i>
	<i>Actual 1988-89</i>	<i>Est. 1989-90</i>	<i>Prop. 1990-91</i>	<i>Actual 1988-89</i>	<i>Est. 1989-90</i>	<i>Prop. 1990-91</i>	
<i>Programs:</i>							
Geological hazards and mineral resources conservation	133.9	147.5	146.5	\$11,558	\$12,243	\$12,409	1.4%
Oil, gas and geothermal protection	117.3	125.6	127.3	8,835	9,657	9,696	0.4
Land resource protection	12.8	16.1	16.9	1,369	1,399	1,414	1.1
Beverage container recycling and litter reduction	103.3	135.9	157.8	133,438	192,889	260,889	35.3
Administration (distributed to other programs)	69.3	77.5	80.4	(3,653)	(5,257)	(5,520)	5.0
Totals	436.6	502.6	528.9	\$155,200	\$216,188	\$284,408	31.6%
<i>Funding Sources</i>							
General Fund				\$14,206	\$14,922	\$15,206	1.9%
California Beverage Container Recycling Fund				76,241	138,650	195,650	41.1
Redemption Account, California Beverage Container Recycling Fund				57,197	54,239	65,239	20.3
Strong-Motion Instrumentation Program Fund				2,828	3,157	3,270	3.6
Surface Mining and Reclamation Account				1,815	2,020	2,066	2.3
Soil Conservation Fund				1,055	1,121	1,148	2.4
California Water Fund				12	12	12	—
State Highway Account, State Transportation				12	12	12	—
Methane Gas Hazards Reduction Account				256	230	—	-100.0
Special Account for Capital Outlay				289	61	—	-100.0
Insurance Fund				92	50	—	-100.0
Federal funds				494	633	632	-0.2
Reimbursements				703	1,081	1,173	8.5

Proposed Budget Changes

Table 2 provides a summary, by funding source, of the changes in the department's proposed 1990-91 budget. As the table shows, the primary increases include (1) \$65.2 million from additional recycling revenues (most of these revenues are continuously appropriated to the department for support of various beverage container recycling program activities), (2) \$2.8 million for additional recycling program staff and (3) \$542,000 in annualized employee compensation costs. These increases are partially offset by various administrative adjustments.

DEPARTMENT OF CONSERVATION—Continued

Table 2
Department of Conservation
Proposed 1990-91 Budget Changes, by Fund
(dollars in thousands)

	General Fund	Recycling Fund		Other State Funds	Other Funds ^b	Totals
		Support	Refund Values and Other ^a			
1989-90 Expenditures (Budget Act) ..	\$14,604	\$19,758	\$54,239	\$6,556	\$1,705	\$96,862
Adjustments, 1989-90						
Employee compensation increases ..	\$338	\$243	—	\$115	\$10	\$706
Retirement rate reduction	-20	-12	—	-8	-1	-41
Chapters legislation	—	229	\$118,432	—	—	118,661
1989-90 Expenditures (revised)	\$14,922	\$20,218	\$172,671	\$6,663	\$1,714	\$216,188
<i>Workload and Administrative Changes</i>						
Deletion of one-time costs	-\$212	-\$283	—	-\$352	-\$191	-\$1,038
Employee compensation increases ..	236	213	—	78	15	542
Price increase	40	223	—	31	12	306
Pro rata adjustment	—	-210	—	79	14	-117
Miscellaneous adjustments	-38	—	—	-33	-3	-74
Subtotals, workload and administrative changes	(\$26)	(-\$57)	(—)	(-\$197)	(-\$153)	(-\$381)
<i>Program Changes</i>						
Projected recycling revenue increase	—	—	\$65,169	—	—	\$65,169
Recycling program increases	—	\$2,820	—	—	—	2,820
Mines and geology program increases	—	—	—	—	\$264	264
Oil and gas program increases	\$179	—	—	—	—	179
Computer systems increases	17	40	—	\$28	1	86
Williamson Act program increases ..	31	—	—	—	—	31
Management analysis increases	14	12	—	6	1	33
Overtime augmentation	17	16	—	8	1	42
Federal funds reduction	—	—	—	—	-23	-23
Subtotals, program changes	(\$258)	(\$2,888)	(\$65,169)	(\$42)	(\$244)	(\$68,601)
1990-91 Expenditures (Proposed)	\$15,206	\$23,049	\$237,840	\$6,508	\$1,805	\$284,408
Change from 1989-90:						
Amount	\$284	\$2,831	\$65,169	-\$155	\$91	\$68,220
Percent	1.9%	14.0%	37.7%	-2.3%	5.3%	31.6%

^a Includes refund values, grants for recycling activities, incentive payments and local advertising contracts.

^b Federal funds and reimbursements.

ANALYSIS AND RECOMMENDATIONS

Status Report: Beverage Container Recycling Program

California's Beverage Container Recycling Program (BCRP) established by Ch 1290/86 (AB 2020, Margolin) began in October 1987 with the goal of reaching an overall beverage container recycling rate of 80 percent. Toward this end, the program required beverage distributors to pay one cent for each container sold in the state; consumers in turn received one cent for each container recycled. By July 1989, the state's overall recycling rate had reached 62 percent.

The program was significantly modified in 1989 by Ch 1339/89 (SB 1221, Hart) and Ch 1342/89 (AB 1001, Sher). Under the revised program, beverage distributors pay the department two cents for each redeemable container they sell in the state. In turn, consumers may redeem any two eligible containers (including beer, soda, wine and distilled spirit cooler, and other containers) for a five cent "refund value." (These values double for containers holding at least 24 ounces.) From the redemption payments made by beverage distributors, the department pays its administrative costs and the two-for-a-nickel refund value to recyclers. Unclaimed recycling revenues (from redemption payments on unrecycled containers) are used to fund the following programs at the specified levels: (1) litter abatement and education grants (\$8 million), (2) convenience incentive payments—CIPs (up to \$13 million), and (3) local advertising contracts (up to \$2 million).

New Incentives Will Mean More Recycling. By increasing the refund value of beverage containers, the Legislature created additional financial incentives for individuals and firms to recycle. The Legislature also enacted major changes to the state's solid waste management program [primarily through Ch 1095/89 (AB 939, Sher)] which create strong incentives for communities to establish or expand recycling programs (see the discussion of these changes under Item 3380). In addition, these new waste management laws create tax credits for the use of recycled materials, establish purchase preferences for products made from recycled materials, and promote recycling in various other ways.

The increased incentives faced by individuals, firms, and communities should move the state closer to its original 80-percent recycling goal. At the same time, however, increased recycling creates a potential problem for the Beverage Container Recycling Fund (BCRF). Put simply, success could bankrupt the fund. The difference between the principal revenues to the fund—2 cents per container sold, and expenditures from the fund—refund values at 2.5 cents per recycled container, means that if recycling rates grow quickly enough to a high enough level, the fund may become insolvent. Currently, because 2 out of 5 containers are not recycled the fund has a large "surplus" available for divisional support, incentive payments, and grants and contracts.

1990-91 BCRP Budget Proposal

The 1990-91 Governor's Budget shows program expenditures of approximately \$261 million, including \$238 million in funds continuously appropriated to the department for various activities and an appropriation of \$23 million for program support costs. According to the department the continuously appropriated funds will be used to pay refund values (\$173 million) and to support recycling incentive, contract and grant payments (\$23 million). The remaining monies (\$42 million) will act as a reserve to pay refund values.

The proposed appropriation for support includes an increase of \$2.8 million (34.5 personnel-years) to:

- Add positions to certification, enforcement and audit units to respond to increased recycling and increased risk of fraud.

DEPARTMENT OF CONSERVATION—Continued

- Increase administrative staff.
- Create, in accordance with Chapter 1339, a Financial Analysis and Policy Development Unit to monitor the solvency of the fund.

Our review indicates that the budget proposal generally is appropriate given the changes made in the program by Chapters 1339 and 1242. However, the budget proposal fails to fully address the effects of increased recycling incentives on two areas of department workload. These are discussed below.

Coordination Needed with Integrated Waste Management Board

We recommend that the Department of Conservation report at budget hearings on (1) how the new Integrated Waste Management Plan (IWMP) will affect the Division of Recycling's technical assistance activities and (2) what plans the department has to coordinate those activities with those of the new Integrated Waste Management Board.

Under the Beverage Container Recycling Program, the Division of Recycling (DOR) has been responding to mounting numbers of requests for technical assistance from communities and firms that are establishing recycling programs. The budget responds to past increases in workload in this area by proposing an additional four positions in the Division's Certification Branch. Our review indicates that these positions are justified based on *existing* workload.

The division's proposed budget, however, does not address the effects on division workload of the changes to the state's waste management program. The IWMP can be expected to not only increase recycling rates—as noted above—but also to increase the number of communities and firms requesting technical assistance. The proposed budget (1) makes no allowance for DOR technical assistance and advisory workload that is likely to result from increased community interest in establishing curbside and other recycling programs, but (2) proposes some new resources for technical assistance to community recycling programs in the newly created Integrated Waste Management Board (IWMB). Conversations with staff of the DOR and the board, however, indicate no plan for coordination of technical assistance activities. As a result, the budget may propose inadequate resources for technical assistance and may allocate those resources inefficiently.

Therefore, we recommend that the Department of Conservation report at budget hearings on (1) the expected effects on the Division of Recycling of the Integrated Waste Management Plan and (2) a plan to coordinate recycling technical assistance activities with the Integrated Waste Management Board.

Financial Analysis Unit Needs Permanent Staff

We recommend that the limited-term positions proposed for the new Financial Analysis and Policy Development Unit within the Division of Recycling be established instead as permanent positions.

The budget proposes to create a new Financial Analysis Unit (FAU) in the Division of Recycling at an approximate annual cost of \$265,000 for three positions (two economists and a recycling specialist). The budget proposes to establish the positions on a limited-term basis through June 30, 1992. Chapter 1339 requires the department to establish the FAU in order to (1) monitor the solvency of the Beverage Container Recycling Fund (BCRF) and (2) analyze economic issues resulting from the state's recycling program.

Our review indicates that the resources proposed for the FAU generally meet the requirements of Chapter 1339. Further review indicates, however, that there is little reason for establishing these positions on a limited-term basis. Because issues regarding the solvency of the BCRF will continue indefinitely—and *not* stop being of concern on July 1, 1992—we recommend that the positions within the Financial Analysis and Policy Development Unit be established on a permanent basis.

DEPARTMENT OF FORESTRY AND FIRE PROTECTION

Item 3540 from the General
Fund and various funds

Budget p. R 73

Requested 1990-91	\$349,758,000
Estimated 1989-90	356,374,000
Actual 1988-89	343,373,000
Requested decrease (excluding amount for salary increases) \$6,616,000 (−1.9 percent)	
Total recommended reduction	115,000
Recommendation pending	3,745,000

1990-91 FUNDING BY ITEM AND SOURCE

Item—Description	Fund	Amount
3540-001-001—Primary Support	General	\$233,402,000
3540-001-036—Support	Special Account for Capital Outlay	3,340,000
3540-001-140—Forest practices, vegetation management	Environmental License Plate	4,289,000
3540-001-235—Fire prevention and suppression, resource management	Public Resources Account, Cigarette and Tobacco Products Surtax	3,186,000
3540-001-300—Board of Forestry, registration of foresters	Professional Foresters Registration	155,000
3540-001-660—Equipment purchase	Public Buildings Construction	15,900,000
3540-001-786—Administration of urban forestry projects	Wildlife, Coastal, and Park Land Conservation	36,000
3540-001-890—Support	Federal Trust	5,236,000
3540-001-928—California forest improvement program	Forest Resources Improvement	4,043,000
3540-001-965—Administration of timber harvest tax	Timber Tax	24,000

DEPARTMENT OF FORESTRY AND FIRE PROTECTION—Continued

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	Wildlife, Coastal, and Park Land Conservation	633,000
Reimbursements	—	79,514,000
Total		\$349,758,000

SUMMARY OF MAJOR FINDINGS AND RECOMMENDATIONS

- | | <i>Analysis
page</i> |
|--|--------------------------|
| 1. Budget Assumes Legislature Will Enact Fire Protection Fees. Recommend department report at budget hearings on details of proposed fees for fire protection services. | 365 |
| 2. Budget Assumes Butte County Will Pay Debt. Department may face a budget shortfall of up to \$6.1 million due to Butte County's potential inability to pay for its cooperative fire protection agreement. | 366 |
| 3. Revenue Bond Financing Does Not Make Sense. Acquiring aircraft and telecommunications equipment with revenue bonds more than doubles the cost of acquiring the equipment. | 366 |
| 4. Conservation Camps Proposal Incomplete. Withhold recommendation on \$3.7 million requested to fund expanded operations at conservation camps, pending analysis of a revised budget proposal. | 367 |
| 5. <i>Proposal To Add Recreational Facilities Is Premature. (Reduce Item 3540-001-235 by \$115,000).</i> Recommend a reduction of \$115,000 because the department has not provided sufficient information to justify the proposed projects. | 368 |

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 46 conservation camps, five training centers, and one fire center, (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 eight state forests, and (6) operates three tree nurseries.

MAJOR ISSUES

- ☒ 1990-91 firefighting costs are not reflected in the budget. Based on a 10-year average, these costs will exceed \$24 million.
- ☒ Law change is needed to implement shift of \$11 million in General Fund fire protection costs to fees paid by private parties.
- ☒ Butte County probably will not be able to pay the state for \$6.1 million in fire protection services provided to the county in 1989-90 and 1990-91. However, the budget assumes that these payments will be available for support of department program expenditures.
- ☒ Proposal to use revenue bonds to purchase airplanes and telecommunications equipment is "penny wise and pound foolish."

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 4,404.8 personnel-years in the current year.

OVERVIEW OF THE BUDGET REQUEST

The budget requests \$350 million from the General Fund, various other state funds, federal funds, and reimbursements for support of the CDFFP in 1990-91. This is a decrease of \$6.6 million, or 1.9 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.

DEPARTMENT OF FORESTRY AND FIRE PROTECTION—Continued

Table 1
Department of Forestry and Fire Protection
Budget Summary
1988-89 through 1990-91
(dollars in thousands)

Program	Personnel-Years			Expenditures			Percent Change From 1989-90
	Actual 1988-89	Est. 1989-90	Prop. 1990-91	Actual 1988-89	Est. 1989-90	Prop. 1990-91	
Wildland fire protection and prevention—operations	2,071.2	2,089.6	1,977.6	\$143,100	\$152,068	\$169,023	11.1%
Cooperative fire protection	1,020.0	1,081.2	1,081.2	77,771	93,844	96,575	2.9
Conservation camps	597.4	635.3	673.4	42,562	50,737	54,119	6.7
Emergency fire suppression	— ^a	— ^a	— ^a	57,983	34,340	2,000	-94.2
Forest practice regulation	67.0	74.3	82.8	5,299	6,402	7,319	14.3
Other resource management programs	162.3	167.4	181.1	16,658	18,983	20,722	9.2
Administration (distributed to other programs)	345.7	357.0	357.6	(22,391)	(24,481)	(25,149)	2.7
Totals	4,263.6	4,404.8	4,353.7	\$343,373	\$356,374	\$349,758	-1.9%
Funding Sources							
General Fund				\$259,596	\$258,090	\$233,402	-9.6%
Special Account for Capital Outlay				—	2,905	3,340	15.0
Environmental License Plate Fund				3,578	4,361	4,289	-1.7
Public Resources Account, Tobacco Products Surtax Fund				—	1,278	3,186	149.3
Unallocated Account, Tobacco Products Surtax Fund				—	300	—	-100.0
Professional Foresters Registration Fund				114	152	155	2.0
Public Buildings Construction Fund				—	—	15,900	— ^b
California Wildlife, Coastal, and Park Land Conservation Fund				—	669	669	—
Forest Resources Improvement Fund				3,226	3,536	4,043	14.3
Renewable Resources Investment Fund				653	—	—	—
Timber Tax Fund				24	24	24	—
Federal Funds				11,965	9,188	5,236	-43.0
Transfers from Departments of Corrections and the Youth Authority				6,767	5,879	—	-100.0
Reimbursements				57,450	69,992	79,514	13.6

^a Not applicable.^b Not a meaningful figure.

A direct comparison of proposed expenditures with those estimated for the current year is misleading because current-year expenditures include several extraordinary one-time costs and because the budget includes only \$2 million in federal funds for emergency fire suppression. One-time costs and emergency fire suppression costs for 1989-90 consist of:

- \$27.6 million in authorized General Fund deficiencies.
- \$10 million allocated to the CDFFP by the Director of Finance under the provisions of Section 12.30 of the 1989 Budget Act from the Special Fund for Economic Uncertainties (the General Fund reserve).
- \$4 million in additional expenditure authority for federal funds provided under Section 28 of the 1989 Budget Act to fight fires on federal lands.

Proposed 1990-91 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 \$41.6 million for extraordinary one-time costs and for emergency fire suppression is excluded from the 1989-90 budget, the department's total expenditures will *increase* in 1990-91 by \$35 million, or 11 percent. The components of this net increase consist of:

- \$14.4 million for program augmentations outside the department's base budget.
- \$15.9 million in increased bond expenditures to purchase telecommunications equipment and for replacement of fixed-wing aircraft.
- \$7.2 million for administrative adjustments such as the full year cost of 1989-90 salary increases.
- Deletions of additional one-time expenditures in 1989-90 totaling \$2.5 million.

Reimbursements

Table 2 shows reimbursements totaling \$79 million that the department expects to receive during 1990-91. The largest amount, \$67 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 the first year of new conservation camps or expanded camp operations, (3) the California Conservation Corps (CCC) for supervising and training corpsmembers in firefighting, and (4) CDFFP personnel for housing, food, and other services.

Table 2
Department of Forestry and Fire Protection
Budgeted Reimbursements
1990-91
(in thousands)

<i>Program and Source of Funds</i>	
Local fire protection services.....	\$67,314
Camps program support.....	8,518
CCC supervision and training of corpsmembers.....	850
Camps construction.....	694
Employee payments for services.....	1,142
Miscellaneous.....	996
Total.....	<u>\$79,514</u>

DEPARTMENT OF FORESTRY AND FIRE PROTECTION—Continued **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 1990-91. Language authorizing this allocation appears in Section 12.30 of the Budget Bill. Over the past 13 years, CDFFP's annual expenditures for emergency fire suppression have averaged more than \$24 million. Thus, it appears likely that additional funds will be sought through the 1990-91 deficiency process, based on the actual costs incurred.

Proposed Budget Changes for 1990-91

Table 3 summarizes proposed budget changes for 1990-91, by funding source.

Table 3
Department of Forestry and Fire Protection
Proposed 1990-91 Budget Changes
By Program and Funding Source
(dollars in thousands)

	<i>General Fund</i>	<i>Bond and Special Funds</i>	<i>Federal Funds</i>	<i>Reimburs- ments and Transfers</i>	<i>Totals</i>
1989-90 Expenditures (Budget Act)	\$216,273	\$13,098	\$5,188	\$73,368	\$307,927
<i>Adjustments, 1989-90:</i>					
Control Section 12.3 (c) allocation	10,000	—	—	—	10,000
Deficiency for emergency fire suppression costs	18,500	—	4,000	—	22,500
Deficiency for fire season augmentation ..	4,953	—	—	—	4,953
Deficiency for services provided to Butte County	2,800	—	—	—	2,800
Deficiency for claims against professional foresters	—	29	—	—	29
Deficiency for increased unemployment insurance costs	1,297	—	—	—	1,297
Allocation for employee compensation ...	4,677	104	—	1,923	6,704
Other adjustments	-410	-6	—	580	164
Subtotals, 1989-90 adjustments	(\$41,817)	(\$127)	(\$4,000)	(\$2,503)	(\$48,447)
1989-90 Expenditures (revised)	\$258,090	\$13,225	\$9,188	\$75,871	\$356,374
<i>Baseline adjustments, 1990-91:</i>					
Current-year excess emergency fire suppression costs	-28,500	—	-4,000	—	-32,500
Transferred operating costs of new conservation camps	664	—	—	-731	-67
Backout one-time costs	-9,050	-1,295	—	-1,197	-11,542
Full-year effect of 1989-90 costs	5,007	328	—	1,365	6,700
Administrative adjustments	163	205	48	116	532
Subtotals, baseline adjustments	(\$-31,716)	(\$-762)	(\$-3,952)	(\$-447)	(\$-36,877)
<i>Program change proposals:</i>					
Allocation to contract counties	\$3,987	—	—	—	\$3,987
Unemployment insurance	1,699	—	—	—	1,699
Revenue Bond purchases:					
Renovate telecommunications system	1,016	\$6,501	—	—	7,517

Replace air fleet.....	—	10,500	—	—	10,500
Add staff for additional timber harvest plan inspections	—	783	—	—	783
Wildlife habitat assessment.....	—	664	—	—	664
New demonstration forest (Soquel)	—	200	—	—	200
Review California Forest Improvement Program effects on rare species	—	184	—	—	184
New facilities and staff at demonstration forests.....	—	443	—	—	443
Increase contract budget for Board of Forestry	100	—	—	—	100
Conservation camp expansion	—	—	—	3,745	3,745
Other adjustments.....	226	-132	—	345	439
Subtotals, program changes	<u>(\$7,028)</u>	<u>(\$19,143)</u>	<u>(—)</u>	<u>(\$4,090)</u>	<u>(\$30,261)</u>
1990-91 Expenditures (Proposed)	\$233,402	\$31,606	\$5,236	\$79,514	\$349,758
Change from 1989-90					
Amount.....	-\$24,688	\$18,381	-\$3,952	\$3,643	-\$6,616
Percent.....	-9.6%	139.0%	-43.0%	4.8%	-1.9%

ANALYSIS AND RECOMMENDATIONS

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

Budget Assumes Legislature Will Enact Fire Protection Fees

We recommend that the department report at budget hearings on details of proposed fees for fire protection services.

The budget indicates that legislation will be introduced which will impose a fee on owners of structures located in areas for which the state bears the primary responsibility for preventing and suppressing fires. These lands, known as state responsibility areas (SRAs), generally consist of all forestland, watersheds, and rangelands that are not owned by the federal government or located within the jurisdiction of any city. The budget proposes that fee revenue fund \$11 million, or about 5 percent, of total proposed General Fund expenditures for fire protection services.

According to the CDFFP, there are about 2 million structures located within SRAs, including residences, businesses, barns and other buildings. Thus, the average fee per structure would amount to about \$5.50. The CDFFP does not currently have additional information on the proposed fees. We note, however, that the fees appear to be similar to fees generally assessed by local fire protection districts to cover their costs.

Until the department provides more detail on the proposed fire protection fees, the Legislature has no basis to evaluate the merits of the proposal. Consequently, we recommend that the department report at budget hearings on (1) the type of structures that will be subject to fees, (2) fee differences, if any, for different types of structures, (3) the basis for determining needed fee revenue, (4) the method of collecting fees, (5) and the rationale for not imposing fees on forestland and rangeland acreage, since owners of these lands also receive benefits provided by CDFFP's fire protection services.

DEPARTMENT OF FORESTRY AND FIRE PROTECTION—Continued
Budget Assumes Butte County Will Pay Debt

Our review indicates that the CDFFP may face a budget shortfall of up to \$6.1 million due to Butte County's potential inability to pay for its cooperative fire protection agreement with the department.

The CDFFP provides fire protection services to 31 counties through cooperative agreements. The department's agreement with Butte County provides for a total payment of \$3.2 million in 1989-90. Because of pressing budget problems, the county indicated it would be able to pay only \$400,000 of the \$3.2 million total. Consequently, the state agreed to defer payment of the \$2.8 million balance until 1990-91. To cover this deferral, the CDFFP requested, and the Department of Finance approved, a deficiency authorization for \$2.8 million in 1989-90.

The budget indicates that in 1990-91 Butte County will pay (1) the \$2.8 million balance due on its 1989-90 cooperative fire protection agreement and (2) \$3.3 million for the county's 1990-91 agreement. These payments are proposed for support of department expenditures.

Our discussions with Butte County staff indicate that the county's fiscal situation has not improved in recent months. If the county is unable to raise additional revenue, it will either have to further curtail county services, or fail to meet its 1990-91 payment obligation to the state. If the county fails to meet its payment obligation the CDFFP will incur a budget shortfall of up to \$6.1 million in the budget year.

Revenue Bond Financing Does Not Make Sense

While programmatically justified, the replacement of equipment through the issuance of revenue bonds will more than double the cost of acquiring the aircraft and equipment and could mean that the state will continue to pay for equipment even when the equipment has become obsolete and has been replaced.

The budget proposes to issue \$15.9 million in revenue bonds to (1) replace 12 aircraft in CDFFP's fixed-wing air fleet (\$10.5 million) and (2) replace obsolete radio and telephone equipment and add additional equipment to the department's telecommunications network (\$5.4 million). These requests represent the first year of a multiyear plan to renovate both the department's fixed-wing air fleet and its telecommunications system.

According to the CDFFP, this equipment is needed because all of the department's existing aircraft and many components of its telecommunications network are excessively old. The age of the equipment results in increased costs to the department because repairs are needed frequently and spare parts are difficult and expensive to obtain. The department indicates that frequent equipment failures compromise pilot safety and disrupt emergency dispatch communications. Based on the information provided by the department, the request for new aircraft and telecommunications equipment appears reasonable. We have two concerns, however, with the administration's proposal to finance these equipment purchases through revenue bonds.

Revenue Bonds Are Expensive. Revenue bonds have been used in recent years as a source of funds for constructing or acquiring public buildings such as prisons and higher education facilities. Typically, revenue bonds are sold and the proceeds of the bonds are deposited in the Public Buildings Construction Fund (PBCF) to finance construction. Appropriations from the General Fund or other state funds then are used as the source of "revenue" to retire the bonds if the project does not produce revenue. In most cases, the interest rate that the state pays on revenue bonds is about one-half percentage point higher than on general obligation bonds. Additionally, the State Public Works Board (SPWB) requires that the property financed through revenue bonds be insured against damage or against loss of revenues from any other causes. The costs to insure these projects can be significant—typically 3 percent of total project costs.

We estimate that the General Fund cost of acquiring the proposed aircraft and equipment with revenue bonds would amount to \$36.9 million. This total consists of:

- \$15.9 million for principal repayments,
- \$20.1 million for interest payments, and
- \$950,000 for insurance and underwriting expenses.

Actual costs would depend on the timing and terms of the bond sales. Our estimate assumes that the bonds (1) would have a maximum maturity of 20 years, and (2) would have an average interest rate of 8.0 percent. Thus, funding the proposed aircraft and equipment from the PBCF, rather than directly from state funds as has been done in previous years, more than doubles the cost of obtaining this equipment.

Some Equipment Will Be Obsolete Before Payments End. Some of the equipment that the department proposes to purchase has an estimated useful life of 10 years or less. Consequently, bond repayments will be required long after the equipment is no longer serviceable. Because the CDFFP proposes to issue bonds with a 20-year term, the department would pay for this equipment for *twice* as long as it could be used. It is likely that the CDFFP would have to purchase replacement equipment—at additional cost—while it continues to pay for the 1990-91 purchases.

Conservation Camps Proposal Incomplete

We withhold recommendation on \$3.7 million requested to fund expanded operations at conservation camps, pending analysis of a revised budget proposal, to be included in the May revision.

The CDFFP, in conjunction with the California Department of Corrections (CDC), operates 34 adult conservation camps and three adult training centers for CDC inmates. The CDFFP provides supervision for the inmates. Traditionally, the CDC pays for first-year operating costs of the camps and centers, including the CDFFP's supervisory expenses. Thereafter, CDFFP's costs are covered by a direct General Fund appropriation. In 1990-91, the budget proposes to increase CDFFP's reimbursement authority by \$3.7 million for expanded operations at 19 camps throughout the state.

DEPARTMENT OF FORESTRY AND FIRE PROTECTION—Continued

The CDFFP indicates that it is currently working with the CDC to revise the proposed expansion plan to ensure that both departments' program needs are met. The CDFFP expects to submit a revised proposal during the May revision. Pending receipt and analysis of the revised proposal, we withhold recommendation on \$3.7 million proposed for expanded operations at conservation camps.

Proposal To Add Recreational Facilities Is Premature

We recommend a reduction of \$115,000 from the Public Resources Account (PRA) for site selection, layout and design work to expand recreation facilities at five locations in the demonstration state forest system, because the department has not submitted sufficient information to determine if the proposed projects merit funding or are consistent with the department's approved long-range capital outlay plans. (Reduce Item 3540-001-235 by \$115,000).

The budget requests \$443,000 from the Public Resources Account (PRA) to expand the demonstration state forest (DSF) recreation program. The funding would be allocated as follows:

- \$90,000 in one-time costs for materials and supplies to complete repair work at existing recreation facilities throughout the seven DSFs.
- \$238,000 in ongoing costs to establish four new positions primarily to (1) oversee repairs on existing DSF recreation facilities, and (2) operate and maintain facilities throughout the DSFs.
- \$115,000 in one-time costs for contracts to select sites and design plans for (1) a visitor information center at the new Soquel DSF, (2) additional campgrounds at Mountain Home and Jackson DSFs and (3) recreation plans for the Latour and Boggs Mountain DSFs.

The CDFFP indicates that since 1977, the number of visitors to state forests has increased by 13 percent (from 79,000 to 89,000 visitor days) and that campgrounds and other recreation facilities in the state forests are filled to capacity every weekend during the summer and to overflowing on holidays. During the same period, no staff has been added to help manage the additional workload or to keep up with necessary repairs to existing facilities. Consequently, the request for additional staff (\$238,000) and funding for materials and supplies (\$90,000) to complete repair work appears reasonable and we recommend approval of that funding.

The department has not, however, submitted detailed information describing the need for new facilities at specific locations, the scope of proposed projects or the estimated cost of construction. Furthermore, none of the proposed projects is included in the CDFFP's current five-year capital outlay plan. Until this information is available, the Legislature will be unable to determine if the proposed projects merit funding or are consistent with the department's capital outlay priorities. Accordingly, we recommend deleting the \$115,000 requested for these projects.

Capital Outlay

The Governor's Budget proposes two appropriations beginning with Item 3540-301-036 for CDFFP capital outlay expenditures. Please see our analysis of the proposed CDFFP Capital Outlay Program in the capital outlay section of this *Analysis* which is in the back of this document.

STATE LANDS COMMISSION

Item 3560 from the General
Fund and other funds

Budget p. R 85

Requested 1990-91	\$18,078,000
Estimated 1989-90	19,940,000
Actual 1988-89	17,021,000
Requested decrease (excluding amount for salary increases) \$1,862,000 (-9.3 percent)	
Total recommended reduction	None

1990-91 FUNDING BY ITEM AND SOURCE

Item—Description	Fund	Amount
3560-001-001—Support	General	\$16,185,000
3560-001-164—Support	Outer Continental Shelf Lands Act, Section 8(g) Revenue	100,000
Reimbursements	—	1,793,000
Total		\$18,078,000

SUMMARY OF MAJOR FINDINGS AND RECOMMENDATIONS

Analysis
page

1. Inappropriate Use of Bond Funds. Budget proposes augmentations totaling \$219,000 in reimbursements from bond funds designated for other purposes. In addition, actual reimbursements may not be sufficient to fund these increases in 1990-91.

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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.

STATE LANDS COMMISSION—Continued

- 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 236.4 personnel-years in the current year.

OVERVIEW OF THE BUDGET REQUEST

The budget proposes expenditures of \$18.1 million for support of the State Lands Commission in 1990-91. This is a decrease of \$1.9 million, or 9.3 percent, from estimated current-year expenditures. The decrease is the net result of (1) employee compensation adjustments and program increases totaling \$1.7 million and (2) baseline reductions totaling \$3.6 million.

Proposed expenditures consist of \$16.2 million from the General Fund, \$100,000 from the Outer Continental Shelf (OCS) Lands Act, Section 8(g) Revenue Fund and \$1.8 million in reimbursements. The reimbursements primarily consist of: (1) \$700,000 from the City of Long Beach for continued legal work by the Department of Justice for the commission; (2) \$545,000 from project applicants for environmental impact reviews of projects on state lands; and (3) \$437,000 from various sources for five program augmentations in 1990-91.

The proposed General Fund appropriation of \$16.2 million will not have any *net* effect on the General Fund. This is due to existing law and provisions in the Budget Bill that entirely offset the General Fund appropriations to the commission with transfers to the General Fund of tidelands oil revenues (\$14.2 million) and state school lands revenues (\$2 million). The commission's cost, therefore, actually is at the expense of the Special Account for Capital Outlay (SAFCO) and the State Teacher's Retirement Fund (STRF), 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 1988-89 through 1990-91. The table shows that commission staff will increase by 4.8 personnel-years in the budget year.

Table 1
State Lands Commission
Budget Summary
1988-89 through 1990-91
(dollars in thousands)

	<i>Personnel-Years</i>			<i>Expenditures</i>			<i>Percent Change From 1989-90</i>
	<i>Actual 1988-89</i>	<i>Est. 1989-90</i>	<i>Prop. 1990-91</i>	<i>Actual 1988-89</i>	<i>Est. 1989-90</i>	<i>Prop. 1990-91</i>	
<i>Programs:</i>							
Extractive development:							
State leases	65.7	66.1	67.1	\$5,734	\$7,092	\$6,317	-10.9%
Long Beach operations	34.7	35.0	35.0	3,307	3,500	3,747	7.1
Land management and conserva- tion:							
Ownership determination	54.3	54.7	56.6	4,253	4,500	4,766	5.9
Land management	34.1	34.4	35.9	3,727	4,848	3,109	-35.9
Administration	45.8	46.2	46.6	2,991	3,187	3,374	5.9
Distributed administration	(45.8)	(46.2)	(46.1)	-2,991	-3,187	-3,235	5.9
Totals	234.6	236.4	241.2	\$17,021	\$19,940	\$18,078	-9.3%
Funding Sources							
General Fund				\$13,777	\$15,584	\$16,185	3.9%
Outer Continental Shelf Lands Act, Section 8(g) Revenue Fund				—	100	100	—
Environmental License Plate Fund				250	675	—	-100.0
Special Deposit Fund, Environmental Mitigation Trust Ac- count				575	—	—	—
Federal funds				86	—	—	—
Reimbursements				2,333	3,581	1,793	-49.9

Table 2
State Lands Commission
Proposed 1990-91 Budget Changes
(dollars in thousands)

	<i>General Fund</i>	<i>OCS Lands Act, Sec. 8(g) Revenue Fund</i>	<i>Reimburse- ments</i>	<i>Totals</i>
1989-90 Expenditures (Revised)	\$15,584	\$775	\$3,581	\$19,940
<i>Baseline Adjustments</i>				
Deletion of one-time costs	-\$724	-\$675	-\$2,245	-\$3,644
Employee compensation increases	223	—	20	243
Subtotals, baseline adjustments	(-\$501)	(-\$675)	(-\$2,225)	(-\$3,401)
<i>Program Changes</i>				
Environmental mitigation monitoring	—	—	\$102	\$102
Geothermal EIR preparation	\$150	—	—	150
Geothermal reservoir studies	210	—	—	210
Long Beach computer system	592	—	—	592
Marine terminal appraiser	150	—	—	150
Prop. 70 ownership determinations	—	—	116	116
Global positioning system	—	—	80	80
File tracking system	—	—	46	46
Replacement photocopiers	—	—	93	93
Subtotals, program changes	(\$1,102)	(—)	(\$437)	(\$1,539)
1990-91 Expenditures (Proposed)	\$16,185	\$100	\$1,793	\$18,078
Change from 1989-90:				
Amount	\$601	-\$675	-\$1,788	\$1,862
Percent	3.9%	-87.1%	-49.9%	-9.3%

STATE LANDS COMMISSION—Continued

Table 2 summarizes the commission's proposed budget changes for 1990-91, by funding source.

ANALYSIS AND RECOMMENDATIONS**Reimbursements Not Appropriate Source for Program Augmentations**

Our analysis indicates that the budget inappropriately proposes to fund three program augmentations totaling \$219,000 from reimbursements related to Proposition 70 workload in 1990-91. The Legislature could choose to delete these augmentations or fund them by increasing the commission's allocation from tidelands oil revenues.

The 1988 Wildlife, Coastal and Park Land Conservation Act (Proposition 70) requires the commission to determine the state's existing or potential ownership interest in tidelands or wetlands that a state, local or nonprofit agency proposes to acquire with bond funds received under the act. The commission must report its findings to the requesting agency and the Department of General Services within 90 days of receiving the request.

The budget proposes two positions (two-year limited-term) and \$116,000 in reimbursements to meet the workload that the commission expects this requirement to generate in 1990-91. These reimbursements are to come from the various agencies' bond fund allocations for administrative costs authorized in Proposition 70. The budget also anticipates, however, that the number of determinations requested by the various agencies will exceed the capacity of these two positions, if the commission is to meet the 90-day deadline. Since the commission could not estimate the magnitude of this workload, it plans to wait until the actual workload is known in the budget year before submitting a proposal to increase staffing beyond the two positions proposed in the budget.

In addition, the budget proposes to fund from increased reimbursements three proposals totaling \$219,000. Primarily for new equipment, these proposals include: (1) purchase of a new automated file tracking system (\$46,000 and 0.5 personnel-year); (2) replacement and upgrade of unreliable photocopiers (\$93,000); and (3) rental of a global positioning system for computer mapping to address an estimated 15-year backlog of survey projects (\$80,000).

Inappropriate Use of Bond Funds. While these proposals appear justified on their own merits, our analysis indicates that the use of bond reimbursements to support the equipment purchases is inappropriate for two reasons. First, the sources of these reimbursements are the allocations that Proposition 70 authorizes only for agencies' administrative costs associated with bond fund projects. The three proposals are for various equipment that is not directly related to Proposition 70 projects. Second, we believe that these proposals represent contingency budgeting. It is unknown whether the Proposition 70 workload for the commission will be sufficient enough to generate the additional \$219,000 in reimbursements with which the budget proposes to fund these augmentations.

Funding Options Available. There are two options available to the Legislature in addressing this inappropriate use of bond reimbursements:

- Delete \$219,000 in reimbursement expenditure authority and 0.5 personnel-year to eliminate the three proposed augmentations; or
- Delete the \$219,000 in reimbursements, and increase the commission's General Fund allocation for administrative costs from tidelands oil revenues by this amount.

The effect of the second alternative would be to reduce by \$219,000 the balance of oil revenues that is transferred to SAFCO in 1990-91, thus making this amount unavailable for expenditure from SAFCO on other priorities. In several previous years, the Legislature has transferred a portion of the funds in SAFCO to the General Fund for various purposes.

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 deductions for operating expenses, taxes, investments, and distributions to the oil companies and the city. 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 along the coasts of Orange, Ventura and Santa Barbara Counties. On these statewide leases, the lessees pay a royalty to the state, based on the value of the oil produced.

Revenues Estimate for 1989-90 and 1990-91. The budget estimates that the state will receive \$135.1 million in tidelands oil and gas revenue in the current year and \$120.1 million in 1990-91. The commission indicates that these estimates are based on the price of oil in November 1989: \$14.70 per barrel at Long Beach and Orange County and \$12 per barrel at Santa Barbara. Because of considerable fluctuation in oil prices during the past 12 months, commission staff advise that the future prices are somewhat uncertain. Consequently, they have assumed constant prices through 1990-91 and have rounded down their latest revenue estimates by about \$2.4 million, or 2 percent, to allow for possible price decreases. In addition, the commission's estimates reflect a continuing decline in tidelands oil *production* (about a 6 percent decrease from 1989-90 to 1990-91). The commission indicates that it will update its tidelands oil revenue estimates at the time of the May revision.

We discuss the allocation of tidelands oil and gas revenues in our analysis of Control Section 11.50 of the Budget Bill, in the back portion of this document.

STATE LANDS COMMISSION—Continued**School Lands Revenues**

The commission estimates that it will receive about \$5.1 million in revenues from geothermal and other royalties and from land rentals in 1990-91 from "state school lands"—that is, lands that were granted by the federal government to the state in 1853 to help support public education. Essentially, all revenues from school lands, less the commission's cost to manage the lands, are deposited into the STRF. The budget proposes to deposit \$2 million of this revenue in the General Fund to cover the commission's cost of managing the state school lands in 1990-91. The remaining \$3.1 million will be deposited in the STRF.

Capital Outlay

The Budget Bill also includes Item 3560-400, which concerns funds previously appropriated for the commission's statewide hazards removal program. Please see our analysis of that item in the capital outlay section of this *Analysis* which is in the back portion of this document.

SEISMIC SAFETY COMMISSION

Item 3580 from the General
Fund

Budget p. R 93

Requested 1990-91	\$982,000
Estimated 1989-90	1,302,000
Actual 1988-89	937,000
Requested decrease (excluding amount for salary increases) \$320,000 (—25 percent)	
Total recommended reduction	None

GENERAL PROGRAM STATEMENT

The Seismic Safety Commission (SSC) was established to improve earthquake preparedness and safety in California. Specifically, the SSC is responsible for providing a consistent policy framework for earthquake related programs and coordinating the administration of these programs throughout state government. The 17-member commission performs policy studies, reviews programs, investigates earthquake incidents and conducts hearings on earthquake safety. The SSC advises the Legislature and the Governor on Legislative proposals, the state budget and grant proposals related to earthquake safety.

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

ANALYSIS AND RECOMMENDATIONS

We recommend approval.

The budget requests \$982,000 from the General Fund for support of the Seismic Safety Commission in 1990-91. This amount is \$320,000, or 25

percent, less than estimated current-year expenditures. This net decrease is due to (1) a one-time allocation of \$250,000 from the General Fund to the commission in 1989-90 to study the impacts of the October 17, 1989 Loma Prieta earthquake, (2) the one-time expenditure of \$79,000 from the Earthquake Emergency Investigation Account (General Fund) to conduct hearings immediately following the Loma Prieta Earthquake and (3) a net \$9,000 increase for adjustment to various elements of operating expenses and equipment.

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

Study of Loma Prieta Earthquake Authorized by Governor

On November 20, 1989, the Department of Finance allocated \$250,000 to the SSC by executive order from the Special Fund for Economic Uncertainties (General Fund), to study the Loma Prieta (Bay Area) earthquake that occurred on October 17, 1989. According to the commission, the study will document the impacts and what was learned from this earthquake in order to assist the state, local and private sectors in improving statewide preparedness for future earthquakes. The SSC indicates that it will contract with one, or more, consultants to complete the study by January 1, 1991 and will rely on earthquake research being done by the United States Geodetic Survey, the National Science Foundation, the University of California and others. At the time of this analysis, SSC was in the process of defining the parameters of the study.

DEPARTMENT OF FISH AND GAME

Item 3600 from the General
Fund and various special
funds

Budget p. R 94

Requested 1990-91	\$140,412,000
Estimated 1989-90	130,274,000
Actual 1988-89	113,106,000
Requested increase (excluding amount for salary increases) \$10,138,000 (+7.8 percent)	
Total recommended reduction	9,484,000
Recommendation pending	\$36,296,608

DEPARTMENT OF FISH AND GAME—Continued
1990-91 FUNDING BY ITEM AND SOURCE

Item—Description	Fund	Amount
3600-001-001—Support, nongame species and environmental protection programs, maintenance and operation of ecological reserves and wildlife areas	General	\$4,985,000
3600-001-140—Support, nongame environmental protection programs, maintenance and operation of ecological reserves and wildlife areas	Environmental License Plate	16,625,000
3600-001-200—Support	Fish and Game Preservation	72,296,000
3600-001-207—Toxic spill cleanup program	Fish and Wildlife Cleanup and Abatement Account, Fish and Game Preservation Fund	458,000
3600-001-211—Waterfowl support programs	Waterfowl Habitat Preservation Account, Fish and Game Preservation	90,000
3600-001-235—Support, protection restoration, and enhancement of fish, waterfowl and wildlife	Public Resources Account, Cigarette and Tobacco Products Surtax	8,313,000
3600-001-786—Support, fisheries restoration and enforcement programs	California, Wildlife, Coastal and Park Land Conservation (Bond)	3,064,000
3600-001-890—Support	Federal Trust	23,074,000
3600-011-001—Transfer to the Fish and Game Preservation Fund for cost of free fishing licenses	General	(16,000)
3600-011-235—Transfer to California Waterfowl Preservation Account for waterfowl preservation programs	Public Resources Account, Cigarette and Tobacco Products Surtax	(1,000,000)
3600-031-200—Shellfish monitoring program	Fish and Game Preservation	203,000
Reimbursements	—	11,304,000
Total		\$140,412,000

SUMMARY OF MAJOR FINDINGS AND RECOMMENDATIONS

- | | |
|--|--------------------------|
| | <i>Analysis
page</i> |
| 1. <i>Revenue Shortfalls and Unbudgeted Expenditures. Reduce Item 3600-001-200 by \$9,484,000.</i> Recommend reduction to bring 1990-91 expenditure plan in line with updated revenue projections and establish a prudent reserve. | 383 |
| 2. <i>Legislative Oversight.</i> Withhold recommendation on \$36,296,608 from various fund sources for 40 new programs and projects, and for contracts pending discussion by the Legislature of departmental program and funding priorities. | 385 |
| 3. <i>Elimination of California Wildlands Program (CWP).</i> Budget proposes program elimination because CWP has failed to generate anticipated revenues. | 386 |



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 1,666 personnel-years in the current year.

MAJOR ISSUES

-  The department's current year and budget-year expenditure plans will put the Fish and Game Preservation Fund in the red for 1989-90 and 1990-91.
-  The Legislature must make significant reductions in department expenditures to correct for revenue shortfalls.
 - As much as \$4.6 million must be cut in the current year.
 - Consistent with legislative intent, \$9.5 million should be cut in 1990-91 to balance the department's budget and establish a prudent reserve.

OVERVIEW OF THE BUDGET REQUEST

The budget proposes total expenditures of \$140.4 million from all sources for support of the DFG in 1990-91. This is an increase of \$10.1 million, or 7.8 percent, over estimated current-year expenditures. The department's proposed expenditure plan would be financed by \$106 million from state funds requested in the Budget Bill, \$11.3 million in reimbursements, and \$23.1 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.

DEPARTMENT OF FISH AND GAME—Continued

Table 1
Department of Fish and Game
Budget Summary
1988-89 through 1990-91
(in thousands)

	Personnel-Years			Expenditures			Percent
	Actual	Est.	Prop.	Actual	Est.	Prop.	Change
Programs:	1988-89	1989-90	1990-91	1988-89	1989-90	1990-91	From 1989-90
Enforcement	353.9	384.5	384.5	\$26,989	\$32,885	\$30,000	-8.8%
Licensing	24.3	28.6	28.6	4,708	4,177	4,107	-1.7
Wildlife Management	194.9	188.9	234.7	16,783	17,765	21,951	23.6
Natural Heritage	48.9	61.1	69.2	11,239	10,282	8,901	-13.4
Inland fisheries	260.5	286.9	294.5	22,726	22,757	23,670	4.0
Anadromous fisheries	207.6	208.7	250.8	15,611	22,654	28,865	27.4
Marine resources	117.8	128.5	131.3	7,804	9,889	11,850	19.8
Environmental services	84.3	90.5	120.4	7,246	9,865	11,068	12.2
Administration (distributed to other programs)	310.8	288.6	306.4	(21,425)	(20,748)	(23,387)	12.7
Totals	1,603.0	1,666.3	1,820.4	\$113,106	\$130,274	\$140,412	7.8%
Funding Sources							
Fish and Game Preservation Fund (FGPF)				\$67,532	\$71,378	\$72,483	1.5%
Dedicated				(11,676)	(12,247)	(12,472)	1.8
Nondedicated				(55,856)	(59,131)	(60,011)	1.5
Fisheries Restoration Account, FGPF				1,229	—	—	—
Fish and Wildlife Cleanup and Abatement Account, FGPF				—	—	458	^a
Waterfowl Habitat Preservation Account, FGPF				—	—	90	^a
General Fund				8,780	8,328	5,001	-39.9
Environmental License Plate Fund				12,781	11,869	16,625	40.1
Public Resources Account, Cigarette and Tobacco Products							
Surtax Fund				—	5,799	8,313	43.4
California Wildlife, Coastal, and Park Land Conservation							
Fund				—	4,000	3,064	-23.4
Renewable Resources Investment Fund				203	—	—	—
Federal Trust Fund				15,036	18,357	23,074	25.7
Reimbursements				7,545	10,543	11,304	7.2

^a Not a meaningful figure.

Proposed Budget Changes for 1990-91

Table 2 summarizes, by funding source, the changes proposed in the department's budget for 1990-91. As shown in Table 2, the proposed \$10.1 million net increase in expenditures results primarily from the following:

- \$6.5 million in expenditures for fisheries restoration and enhancement projects from the Public Resources Account, the California Wildlife, Coastal, and Park Land Conservation (Bond) Fund, and federal funds.
- \$2.8 million for new staff for wildlife areas and habitat improvement crews in order to maintain wildlife and fish habitat.
- \$1.4 million to increase staff for timber harvest plan review and environmental impact report (EIR) review.
- \$1.2 million to enhance endangered species protection.
- \$811,000 for various departmental administrative enhancements.

- \$809,000 for various programs to enhance the capability of the department to respond to oil spills.

Various other program changes totaling approximately \$6.7 million are partially offset by reductions from (1) deletion of one-time costs funded in the current year and (2) other miscellaneous baseline changes.

Table 2
Department of Fish and Game
Proposed Budget Changes
1990-91
(in thousands)

	<i>Fish & Game Preser- vation Fund</i>	<i>General Fund</i>	<i>Environ- mental License Plate Fund</i>	<i>Public Resources Account</i>	<i>Other State Funds^a</i>	<i>Federal Funds and Reimburse- ments</i>	Totals
1989-90 Expenditures (Budget Act)	\$73,039	\$8,177	\$10,592	\$4,990	\$4,000	\$28,105	\$128,903
<i>Adjustments 1989-90:</i>							
Revenue shortfall—program reductions	-3,301	—	—	—	—	—	-3,301
Other administrative adjustments	114	7	-7	—	—	237	351
Allocation for employee compensation	1,254	144	140	10	—	438	1,986
Chartered legislation	272	—	1,144	799	—	120	2,335
1989-90 Expenditures (Revised) ..	\$71,378	\$8,328	\$11,869	\$5,799	\$4,000	\$28,900	\$130,274
<i>Baseline adjustments, 1990-91:</i>							
Back out revenue shortfall reductions	3,301	—	—	—	—	—	3,301
Back out chartered legislation ..	-272	—	-1,144	-799	—	-120	-2,335
Delete one-time costs	-1,624	-1	-524	-3,896	-3,937	-691	-10,673
Price and compensation increases	1,809	91	293	6	1	885	3,085
Miscellaneous adjustments	-2,817	-3,298	2,934	—	—	-260	-3,441
Subtotals, baseline adjustments	(\$397)	(\$-3,208)	(\$1,559)	(\$-4,689)	(\$-3,936)	(\$-186)	(\$-10,063)
<i>Program Changes:</i>							
Acquire, develop and maintain fish and wildlife habitat	—	—	\$500	\$2,838	\$90	\$1,000	\$4,428
Increase fisheries programs	—	—	—	1,180	3,000	3,418	7,598
Wildlife Management Projects (Pittman-Robertson)	\$58	—	—	16	—	223	297
Fund fish and wildlife studies ..	200	—	274	—	—	229	703
Enhance endangered species protection	—	—	—	1,171	—	—	1,171
Increase review of environmental impacts	—	—	566	926	—	—	1,492
Enhance oil spill response capability	—	—	47	304	458	—	809
Implement water supply and water quality programs	9	—	—	199	—	418	626
Implement Ch 850/88, Adopt A Lake Program	—	—	—	267	—	202	469
Enhance administrative capability	498	56	67	—	—	190	811

DEPARTMENT OF FISH AND GAME—Continued

Table 2—Continued
Department of Fish and Game
Proposed Budget Changes
1990-91
(in thousands)

	<i>Fish & Game Preser- vation Fund</i>	<i>General Fund</i>	<i>Environ- mental License Plate Fund</i>	<i>Public Resources Account</i>	<i>Other State Funds^a</i>	<i>Federal Funds and Reimburse- ments</i>	<i>Totals</i>
Realign departmental operating expenses	-857	—	—	—	—	—	-857
Redirect funds	-1,394	—	1,394	234	—	-221	13
Increase salmon stamp authorization	2,000	—	—	—	—	—	2,000
Relocate headquarters	194	22	28	—	—	75	319
Convert natural heritage staff ..	—	—	321	—	—	—	321
Miscellaneous changes	—	-197	—	68	—	130	1
Subtotals, Program changes ..	(\$708)	(-\$119)	(\$3,197)	(\$7,203)	(\$3,548)	(\$5,664)	(\$20,201)
1990-91 Expenditures (Proposed) ..	\$72,483	\$5,001	\$16,625	\$8,313	\$3,612	\$34,378	\$140,412
Change from 1989-90 ..							
Amount	\$1,105	-\$3,327	\$4,756	\$2,514	-\$388	\$5,478	\$10,138
Percent	1.5%	-39.9%	40.1%	43.4%	-9.7%	19.0%	7.8%

^a Fish and Wildlife Pollution Cleanup and Abatement Account, Fish and Game Preservation Fund; Waterfowl Habitat Preservation Account, Fish and Game Preservation Fund; and California Wildlife, Coastal, and Park Land Conservation Fund.

ANALYSIS AND RECOMMENDATIONS**Quality and Flow of Information Has Improved**

Last year, we noted a number of serious problems within the department's fiscal operations. (Please see *Analysis of the 1989 Budget Bill*, pp. 322-328). These problems hampered the department's ability to (1) build a budget in which expenditures were in line with revenues and (2) provide accurate and timely information to the Legislature in order to establish program and funding priorities. Moreover, we noted that these problems were not new to the department.

Both the Legislature and the department took a number of actions to address the problems of fiscal accountability. For example, the Legislature directed the department to (1) provide budget, fiscal, and accounting training to key staff within the department and (2) fully justify its 1990-91 contract proposal. In addition, the department requested that the Resources Agency establish a task force to review the department's internal management practices. The task force reported to the department in August 1989.

During the current year, it appears that the DFG has made a concerted effort to provide better training to staff, to document its proposals more fully, and to respond to the various recommendations made by the Resources Agency task force. For example, the department has held numerous training sessions with field staff on how to write budget change proposals, and has hired staff to fill key fiscal positions. In addition,

information provided by the department generally seems to be more accurate and timely.

Department's Budget Proposal Will Result in Large Deficits

Despite the apparent progress made by the DFG in providing training to its staff and in improving the quality and timeliness of the information provided to the Legislature, the administration has proposed a revised expenditure plan for the current year and a proposed budget for 1990-91 that we conclude will result in substantial deficits in the Fish and Game Preservation Fund (FGPF)—the department's main funding source—in both years. This is because the department's methodology for estimating FGPF revenues overstates significantly the amount of revenue the department actually is likely to collect in the current and budget years. In addition, the department's expenditure plan does not reflect all of the costs that the department will face in the budget year.

Estimates Overstate Revenues

The budget estimates revenues to the nondedicated portion of the Fish and Game Preservation Fund (FGPF-ND) totaling \$59.4 million in 1989-90 and \$62.5 million in 1990-91. These revenues come from the sale of fishing and hunting licenses and from stamps, tags, and permits. Sales of resident fishing licenses account for approximately 64 percent of the revenue to the FGPF that can be used for "nondedicated" purposes. As a result, errors in the methodology used to project these sales, or faulty assumptions underlying this methodology, can seriously distort the department's FGPF-ND revenue projections.

Our review of the department's methodology for projecting resident fishing license sales indicates that the department's projections overstate likely revenues to the FGPF-ND in 1989-90 and 1990-91 for two reasons.

Department Assumes Drought Will Not Continue in 1989-90. After two years of moderate annual growth of approximately 3 percent to 4 percent, resident fishing license sales dropped by 11 percent in 1989. At the time, the department assumed that this decrease in sales was a one-time event attributable to drought conditions in much of the state which made fishing less attractive than in past years. In its projections for the current and budget years, the department assumes that (1) the 1989 decrease in sales was attributable to the drought, (2) the drought will not continue in the current year, and (3) resident sales will immediately recover and surpass pre-drought sales. These assumptions result in revenue projections that are roughly \$3 million higher than they would have been had the department assumed continuing drought conditions. Based on information recently released by the Bureau of Reclamation, however, it appears that many areas of the state will experience drought conditions again this year. Even were the drought to end, it is unlikely that license sales would bounce back immediately to pre-drought levels.

Department Assumes Increased "Marketing and Enforcement Efforts" Will Result in Greater Sales. The department proposes to increase license sales in the current year and in the budget year by enhancing its efforts to market licenses, and through greater field enforcement of

DEPARTMENT OF FISH AND GAME—Continued

license requirements. According to the DFG, these efforts will result in the sale of 116,032 new licenses in 1989-90 and 118,217 new licenses in 1990-91. The department projects that revenue from these licenses will total \$2.3 million in the current year and \$2.6 million in the budget year. The department, however, has no specific plan for expanding activities which could result in increased license sales, nor any financial resources available for such an expansion. Moreover, the department has cut back recently on field enforcement activities in its regions because of severe budget constraints.

Because of the assumptions discussed above, the budget overstates the real revenue picture faced by the department by roughly \$5 million in both the current year and the budget year. As a result, the department will not have the resources necessary to support its proposed program in either 1989-90 or 1990-91.

Estimates Understate Budget-Year Expenditures

The Governor's Budget proposes to spend \$60.1 million from the FGPF-ND in the current year and \$62.8 million in the budget year for support of a variety of programs. Our review of the department's expenditure plan indicates, however, that the budget significantly *understates* the FGPF-ND 1990-91 expenditure obligations in three ways:

State Employee COLA Will Increase Budget-Year Costs. The fund condition of the Fish and Game Preservation Fund does not reflect the effects of the cost of living adjustment (COLA) for state employees scheduled for January 1, 1991. Currently we estimate that this COLA will increase personal services costs in the DFG by 3.9 percent. This adjustment will cost the FGPF-ND approximately \$700,000.

Repayment of Wildlands Program Loan Overlooked. Chapter 1539, Statutes of 1988 (AB 3873, Costa), established the California Wildlands Program (CWP) and authorized a loan from the FGPF for start-up costs associated with establishing an interpretive program for nonconsumptive users—hikers, birdwatchers and others who do not hunt or fish—and marketing a new access permit and stamp. The department borrowed \$2 million from dedicated accounts within the FGPF for the start-up costs. To date, revenues have not materialized from the new access permit and stamp and the budget proposes to discontinue the program at the end of the current year. (Please see a detailed discussion of this issue later in this analysis.) As a result, it appears that the CWP will not be able to repay the loan. Since current law forbids the use of dedicated accounts for nondedicated purposes, eventually the department must repay the dedicated accounts for the cost of the loan. Presumably this repayment would be made from the FGPF-ND. Because the loan must be repaid with interest by July 1, 1993, the DFG indicates that three annual payments, beginning in 1990-91 would be likely. If the department began loan repayments in 1990-91, we estimate the budget-year cost to the FGPF-ND to total \$715,000.

Budget Proposes Shifting Costs to Reduce Expenditure Obligations. The Governor's Budget proposes to shift to the Environmental License

Plate Fund (ELPF) \$1.4 million in costs that traditionally have been supported by the FGPF-ND. In addition, the Governor's Budget proposes to fund from the Public Resources Account (PRA) \$1.4 million in new or expanded program activities related to fishing or hunting. The expenditures proposed from these fund sources meet ELPF and PRA statutory requirements. Section 711 of the Fish and Game Code, however, states legislative intent that activities primarily benefiting game species be supported by the FGPF, and activities primarily benefiting nongame species be supported from other funds. Consequently, the shift in program funding proposed in the Governor's Budget does not meet legislative intent as reflected in Section 711. Without these proposed cost shifts, expenditures charged to the FGPF-ND would be \$2.8 million greater than shown in the Governor's Budget.

Bottom Line: Budget Proposes Deficit Spending in 1989-90 and 1990-91

We recommend that the Legislature reduce proposed expenditures from the Fish and Game Preservation Fund (FGPF) nondedicated account by \$9.5 million in order to ensure that the budget is balanced and an adequate reserve is maintained in the FGPF in 1990-91. (Reduce Item 3600-001-200 by \$9,484,000.)

Table 3 contrasts the revenue and expenditure projections contained in the Governor's Budget with two alternative projections for 1989-90 and 1990-91. The alternative revenue projections assume that continued drought conditions will reduce revenues to the FGPF in both the current and the budget years. In addition, one projection assumes that the DFG's programs are funded in a manner consistent with Section 711 of the Fish and Game Code while the other assumes that the fund shifts proposed in the Governor's Budget are approved by the Legislature.

As the table shows, given more reasonable revenue projections and current expenditure obligations, the department faces a deficit of \$4.6 million in the current year. In addition, assuming reductions are made in 1989-90 so that no deficit occurs at the end of the current year, the department will face a deficit of (1) \$6.5 million in 1990-91 assuming funding consistent with Section 711 or (2) \$3.6 million if the Legislature approves the department's proposal to shift costs to the ELPF and the PRA. These deficits, however, *understate* the problem the Legislature faces in balancing the budget because the figures make no allowance for establishing a reasonable reserve for the FGPF-ND, nor do they reflect the potential budget-year costs to repay a portion of the CWP loan which is due in full by 1993.

DEPARTMENT OF FISH AND GAME—Continued

Table 3
 Department of Fish and Game
 Fish and Game Preservation Fund, Nondedicated
 Alternative Revenue and Expenditure Estimates
 1989-90 and 1990-91
 (in thousands)

	Governor's Budget	LAO with Section 711	LAO without Section 711
1989-90:			
Beginning reserves, 1989-90.....	\$1,575	\$1,575	\$1,575
Revenues.....	59,402	53,926	53,926
Expenditures.....	60,138	60,138	60,138
Ending reserve, 1989-90.....	840 ^a	-4,637	-4,637
1990-91:			
Beginning reserve, 1990-91.....	\$840 ^a	—	—
Revenue.....	62,484	\$57,080	\$57,080
Expenditures.....	60,011	63,564 ^b	60,711
Employee compensation	—	(700)	(700)
Section 711 obligations	—	(2,853)	—
Ending reserve, 1990-91.....	\$3,314 ^a	-\$6,484	-\$3,631

^a Reserve totals do not add due to rounding.

^b Includes expenditures that the Governor's budget proposes to fund instead from the Environmental License Plate Fund and the Public Resources Account.

Given the department's current fiscal condition and the uncertainty of the revenue estimates, we recommend that the Legislature establish a reserve totaling *at least* \$3 million for 1990-91. To effect this recommendation the Legislature will need to do one of the following:

- Reduce FGPF-ND expenditures by \$9,484,000 if the Legislature *does not* approve the Governor's Budget proposal to shift costs to the ELPF and the PRA.
- Reduce FGPF-ND expenditures by \$6,631,000 if the Legislature approves the proposal to shift costs to the ELPF and the PRA.

Options for Expenditure Reductions

The Legislature will need to draw on a number of techniques to solve the FGPF budget dilemma. Techniques that could be used in the short run include:

1. Reject all FGPF-ND Budget Change Proposals and Contracts for 1990-91 without Prejudice to the Merits of the Proposals. Rejecting new proposals and contracts would result in approximately \$2.5 million in savings in the budget year. In its deliberations on the 1989-90 budget for the department, the Legislature selectively used this technique to reduce expenditures in the DFG.

2. Reduce Baseline Expenditures from the FGPF-ND. Section 711 requires that revenues from hunters and fishermen support the costs of programs provided primarily for their benefit (game programs). Consequently, to the extent that there are shortfalls in these revenues, the Legislature may wish to consider curtailing expenditures for game

activities to bring the level of service provided to hunters and fishermen in line with revenues available to support these programs.

3. Raise License Fees. Alternatively, the Legislature could raise license fees in order to support greater program costs. It is unclear, however, the extent to which an increase in fees would be offset by a decreased demand for licenses.

4. Shift Fund Sources. The Legislature could approve the fund shifts proposed in the Governor's Budget, thereby reducing FGPF-ND costs by \$2.8 million. This shift, however, does not conform to the Legislature's intent as reflected in Section 711 that user fees support hunting and fishing programs. In past years, however, the Legislature has chosen to fund specific DFG proposals without regard to Section 711. Presumably, the Legislature could choose to go beyond the Governor's Budget proposal by shifting *more* costs to other special funds on a one-time basis. Other fund sources available to the Legislature for this purpose include (1) the Environmental License Plate Fund which has a budget year reserve of \$967,000, (2) the Public Resources Account which has a budget year reserve of \$1.8 million, and (3) the Unallocated Account with a reserve of \$9.2 million.

Budget Dilemma Will Affect Ability to Fund New and Expanded Programs

We withhold recommendation on \$36,296,608 from various fund sources requested for (1) 40 new programs and projects and (2) contracts, pending discussion by the Legislature of the department's basic funding problems.

Specifically, we withhold recommendation on:

- \$6.8 million proposed from the Environmental License Plate Fund.
- \$8.4 million proposed from the Fish and Game Preservation Fund.
- \$7.9 million proposed from the Public Resources Account, Cigarette and Tobacco Products Surtax Fund.
- \$3 million proposed from the California Wildlife, Coastal, and Park Land Conservation Funds.
- \$9.7 million proposed from federal funds and reimbursements.
- \$0.5 million proposed from other various fund sources.

In addition to \$2.5 million proposed from the FGPF-ND for support of new programs and contracts, the Governor's Budget proposes approximately \$33.8 million from various other fund sources to fund new or enhanced program proposals (\$19.4 million) and contract expenditures (\$14.4 million). Decisions made by the Legislature to balance the department's budget, however, could significantly affect (1) the amount of funds available to support new program proposals and (2) the department's ability to manage new programs. Consequently, we withhold recommendation on the \$36.3 million proposed for expenditure on new programs, projects and contracts pending discussion by the Legislature of the approach it wishes to take in balancing the department's budget and setting funding priorities.

DEPARTMENT OF FISH AND GAME—Continued**Governor's Budget Proposes to Eliminate the California Wildlands Program**

The budget proposes to eliminate the California Wildlands Program because the program has not generated the revenue originally projected.

Chapter 1539, Statutes of 1988, (AB 3873, Costa) created the California Wildlands Program and authorized the establishment of wildlife and environmental interpretation programs at state wildlife areas and ecological reserves. Targeted to "nonconsumptive users", the program sought to expand the revenue base of the department by attracting individuals other than hunters and fishermen to the department's wildlife areas. The measure established fees for admission to these areas and created a special dedicated account for deposit of all revenues from these fees. In addition, the measure transferred \$2 million from the FGPF to this new dedicated account as a loan and stipulated provisions for repayment of that loan from the future revenues of the program. The DFG estimated that the program would generate \$5 million in revenues in each of the first two years.

According to the DFG, the estimated revenues did not materialize. The department received only \$95,000 during 1988-89, and \$15,000 in the first quarter of 1989-90. Accordingly, the administration has proposed to eliminate the program at the end of the current year. The department has, however, identified a new marketing strategy that it hopes to implement in the intervening five months. If this strategy shows substantial revenue generating potential, the department has stated that it intends to submit a budget amendment letter to the Department of Finance in the spring to reinstate the program for the budget year.

Capital Outlay

The Governor's Budget proposes two appropriations in Item 3600 for capital outlay expenditures in the Department of Fish and Game. Please see our analysis of the department's proposed capital outlay program in the capital outlay section of this *Analysis* which is in the back portion of this document.

WILDLIFE CONSERVATION BOARD

Item 3640 from the Wildlife
Restoration Fund and other
special funds

Budget p. R 121

Requested 1990-91	\$913,000
Estimated 1989-90	1,098,000
Actual 1988-89	837,000
Requested decrease (excluding amount for salary increases)	
\$185,000 (—16.8 percent)	
Total recommended reduction	None

1990-91 FUNDING BY ITEM AND SOURCE

Item—Description	Fund	Amount
3640-001-235—Support	Public Resources Account, Cigarette and Tobacco Products Surtax	\$58,000
3640-001-447—Support	Wildlife Restoration	606,000
Public Resources Code Section 5907 (Proposition 70)—support	California Wildlife, Coastal, and Park Land Bond	249,000
Total		\$913,000

SUMMARY OF MAJOR FINDINGS AND RECOMMENDATIONS

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| <p>1. <i>Wetlands Maintenance Payments. Add Item 3640-001-140 in the amount of \$250,000.</i> 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.</p> | <p><i>Analysis</i>
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388</p> |
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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 13 personnel-years in the current year.

WILDLIFE CONSERVATION BOARD—Continued
OVERVIEW OF THE BUDGET REQUEST

The budget proposes expenditures of \$913,000 from the Wildlife Restoration Fund (\$606,000), the California Wildlife, Coastal, and Park Land Conservation (Bond) Fund (\$249,000), and the Public Resources Account (PRA) (\$58,000) to support the Wildlife Conservation Board (WCB) in 1990-91. This is \$185,000, or 17 percent, less than estimated current-year expenditures.

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. This reduction is offset in part by the addition of a position funded from the PRA to carry out land acquisition activities.

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. The budget reflects expenditures from these continuously appropriated funds of \$246,000 in the current year and \$249,000 in the budget year for support of the board.

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, (AB 2090, Hannigan) authorizing the Department of Fish and Game (DFG) to reimburse 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 1990-91. 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 four years. Accordingly, we recommend an augmentation of \$250,000 from the ELPF to continue to pay private landowners within the Suisun Marsh area for part of the costs of operating and maintaining wetlands on their property.

Capital Outlay

The Governor's Budget proposes several appropriations beginning with Item 3640-301-235 for capital outlay expenditures in the Wildlife Conservation Board. Please see our analysis of the proposed Wildlife Conservation Board Capital Outlay program in the capital outlay section of this *Analysis* which is in the back portion of this document.

DEPARTMENT OF BOATING AND WATERWAYS

Item 3680 from the General
Fund and other funds

Budget p. R 127

Requested 1990-91	\$47,809,000
Estimated 1989-90	41,846,000
Actual 1988-89	23,584,000
Requested increase (excluding amount for salary increases) \$5,963,000 (+14 percent)	
Total recommended reduction	None

1990-91 FUNDING BY ITEM AND SOURCE

Item—Description	Fund	Amount
3680-001-001—Support	General	\$276,000
3680-001-164—Support	Outer Continental Shelf Lands Act, Section 8(g) Revenue	80,000
3680-001-516—Support	Harbors and Watercraft Revolving Fund	4,431,000
3680-001-890—Support	Federal Trust	882,000
3680-101-164—Local assistance, beach erosion control	Outer Continental Shelf Lands Act, Section 8(g) Revenue	4,706,000
3680-101-235—Local assistance, beach erosion control	Public Resources Account, Cigarette and Tobacco Products Surtax	1,000,000
3680-101-516—Local assistance, boating facilities and enforcement	Harbors and Watercraft Revolving Fund	35,569,000
3680-101-890—Local assistance, boating enforcement	Federal Trust	850,000

DEPARTMENT OF BOATING AND WATERWAYS—Continued

3680-121-890—Transfer to Harbors and Watercraft Revolving Fund for previously completed local assistance projects	Federal Trust	(1,700,000)
Reimbursements	—	15,000
Total		\$47,809,000

SUMMARY OF MAJOR FINDINGS AND RECOMMENDATIONS*Analysis
page*

1. Private Marina Loans. Budget proposes to double funding for this program to \$8 million in 1990-91, which may limit funding for public agency grants and loans in future years. 392

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 control projects, (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

MAJOR ISSUES

- ☒ The budget proposes expansion of the department's private loan program from \$4 million to \$8 million in order to accommodate individual loan requests in excess of \$1 million for construction of private marina facilities.
- ☒ The department's proposed expenditure plan probably will result in reductions in grants and loans to local agencies beginning in 1991-92.

agencies and the U.S. Army Corps of Engineers in implementing the state's beach erosion control program and (7) serves as the lead state agency in controlling water hyacinth in the Sacramento-San Joaquin Delta and the Suisun Marsh.

The department has 57.4 personnel-years in the current year.

OVERVIEW OF THE BUDGET REQUEST

The budget proposes expenditures for the Department of Boating and Waterways totaling \$47.8 million from state funds, federal funds and reimbursements for support and local assistance in 1990-91. This is an increase of approximately \$6 million, or 14 percent, above estimated current-year expenditures. The proposed increase is attributable primarily to (1) a \$4.6 million increase in loans for public and private marinas, (2) a \$300,000 increase in grants to local governments for boat launching facilities and boating safety and law enforcement and (3) a net increase of \$1.1 million for beach erosion control activities.

Table 1 summarizes the staffing and expenditures for the department from 1988-89 through 1990-91. The budget proposes to fund approximately 85 percent of the department's support and local assistance programs from the Harbors and Watercraft Revolving Fund (HWRF), which consists primarily of revenues from motorboat fuel taxes, boat registration fees, and loan repayments and interest.

Table 1
Department of Boating and Waterways
Budget Summary
1988-89 through 1990-91
(dollars in thousands)

	Personnel-Years			Expenditures			Percent
	Actual 1988-89	Est. 1989-90	Prop. 1990-91	Actual 1988-89	Est. 1989-90	Prop. 1990-91	Change From 1989-90
<i>Programs:</i>							
Boating Facilities.....	18.4	19.8	20.8	\$16,070	\$29,860	\$34,774	16.5%
Boating Operations.....	16.8	16.3	16.3	5,251	6,691	6,973	4.2
Beach Erosion Control.....	3.0	3.0	3.0	2,263	5,295	6,062	14.5
Administration (distributed).....	16.3	18.3	18.3	(714)	(981)	(1,041)	6.1
Totals.....	54.5	57.4	58.4	\$23,584	\$41,846	\$47,809	14.2%
<i>Funding Sources</i>							
General Fund.....				\$263	\$573	\$276	-51.8%
Harbors and Watercraft Revolving Fund.....				20,619	34,836	40,000	14.8
Public Resources Account, Cigarette and Tobacco Products							
Surtax Fund.....				—	3,592	1,000	-72.2
Special Account for Capital Outlay.....				2,000	1,130	—	-100.0
Outer Continental Shelf Lands Act, Section 8(g) Revenue							
Fund.....				—	—	4,786	— ^a
Federal funds.....				646	1,700	1,732	1.9
Reimbursements.....				56	15	15	—

^a Not a meaningful figure.

Table 2 identifies proposed budget changes, by funding source, for the department in 1990-91. As shown in Table 2, most of the department's requested adjustments are for local assistance grants and loans to be

DEPARTMENT OF BOATING AND WATERWAYS—Continued

funded from the HWRF and the Outer Continental Shelf (OCS) Lands Act, Section 8(g) Revenue Fund.

Table 2
Department of Boating and Waterways
Proposed 1990-91 Budget Changes
(dollars in thousands)

	<i>General Fund</i>	<i>Harbors and Watercraft Revolving Fund</i>	<i>Other State Funds^a</i>	<i>OCS Lands Act, Sec. 8(g) Revenue Fund</i>	<i>Other Funds^b</i>	<i>Totals</i>
1989-90 Expenditures (Revised)	\$573	\$34,836	\$4,722	—	\$1,715	\$41,846
Baseline and other adjustments.....	-297	261	-130	80	32	-54
Changes in loan and grant programs:						
Loans to public agencies for marina development.....	—	600	—	—	—	600
Loans to private recreational marinas.....	—	4,000	—	—	—	4,000
Grants to local governments:						
Boat launching facilities.....	—	128	—	—	—	128
Boating safety and law enforcement.....	—	175	—	—	—	175
Beach erosion control.....	—	—	-3,592	4,706	—	1,114
1990-91 Expenditures (Proposed) ...	\$276	\$40,000	\$1,000	\$4,786	\$1,747	\$47,809
Change from 1989-90:						
Amount.....	-\$297	\$5,164	-\$3,722	\$4,786	\$32	\$5,963
Percent.....	-51.8%	14.8%	-78.8%	— ^c	1.9%	14.2%

^a Public Resources Account and Special Account for Capital Outlay.

^b Federal funds and reimbursements.

^c Not a meaningful figure.

ANALYSIS AND RECOMMENDATIONS**Loans for Private Marinas**

Our analysis indicates that the amount requested for the private marina loan program in 1990-91 is significantly higher than in past years, and may limit the amount of funds available in future years for loans and grants to local agencies.

The budget proposes \$8 million from the Harbors and Watercraft Revolving Fund (HWRF) to provide direct loans, under a program established in 1985, to private marina owners to develop, expand or improve recreational marinas. This is an increase of \$4 million, or 100 percent, from estimated current-year expenditures, and an increase of \$6.3 million, or 368 percent, from actual expenditures in 1988-89. Under existing law, the department is authorized to make loans to marina owners for up to the full amount of the actual project costs for labor and materials, at an interest rate that is two percentage points above the prime rate. The department's policy has been to make these loans repayable over a 20-year period.

In addition, existing law limits the amount of any single loan to no more than 25 percent of the funds budgeted for this program in a given year. Thus, the largest loan amount in the current year is \$1 million. The department indicates that it requests doubling the funding for the program to \$8 million in 1990-91 because there is a demand for loans in excess of \$1 million each.

As in past years, the budget does not identify (1) the specific projects the department expects to fund or (2) the expected cost of individual projects. Nevertheless, it has been the Legislature's practice to grant the department this unusual degree of budget flexibility.

Our analysis indicates that estimated current-year and proposed budget-year spending will reduce the reserve in the HWRF from \$13 million at the end of 1989-90 to \$3 million at the end of 1990-91. A significant part of this decrease is due to the budget's proposed increase in funding for the private marina loan program. As a result, a smaller reserve would be available as a carry-over in 1991-92 to help fund the department's various local assistance programs. If loans for private marinas were funded at the expanded level in future years, there would be substantially less funding available beginning in 1991-92 for grants and loans to local governments for public marinas, launching facilities and boating safety and law enforcement.

Other Loan and Grant Programs

Loans for Public Marinas. The budget requests \$18.3 million in 1990-91 from the HWRF for loans to local governments to help finance the construction or improvement of public marinas. This is an increase of \$600,000, or 3.4 percent, from estimated current-year expenditures. The requested amount consists of \$17.9 million for eight harbor development projects and \$350,000 for statewide planning and emergency repair loans.

Launching Facility Grants. The budget requests \$5.9 million from the HWRF for grants to local governments for construction of boat launching ramps, restrooms and parking areas. This amount is \$128,000, or 2.2 percent, above estimated current-year expenditures. The requested amount consists of \$5.3 million for 18 specific project grants, \$300,000 for statewide floating restroom grants and \$300,000 for statewide repair grants for ramps previously constructed with funds from the department.

Beach Erosion Control Activities

The budget proposes expenditures totaling \$5.7 million from the OCS Lands Act, Section 8(g) Revenue Fund (\$4.7 million) and the PRA (\$1 million) for four beach erosion projects in San Luis Obispo County, and the Cities of Carlsbad, Santa Cruz, and San Francisco. Beach erosion control is an ongoing program within the department that provides funds to specified projects. In the current year, the program is funded from the PRA and the Special Account for Capital Outlay.

Capital Outlay

The Governor's Budget proposes an appropriation of \$1 million in Item 3680-301-516 for capital outlay expenditures by the Department of

DEPARTMENT OF BOATING AND WATERWAYS—Continued

Boating and Waterways. Please see our analysis of that item in the capital outlay section of this *Analysis* which is in the back portion of this document.

CALIFORNIA COASTAL COMMISSION

Item 3720 from the General
Fund and other funds

Budget p. R 136

Requested 1990-91	\$9,295,000
Estimated 1989-90	9,151,000
Actual 1988-89	9,175,000
Requested increase (excluding amount for salary increases) \$144,000 (+1.6 percent)	
Total recommended reduction	None

1990-91 FUNDING BY ITEM AND SOURCE

Item—Description	Fund	Amount
3720-001-001—Support	General	\$6,255,000
3720-001-140—Support	Environmental License Plate	442,000
3720-001-890—Support	Federal Trust	2,258,000
3720-101-890—Local assistance	Federal Trust	300,000
Reimbursements	—	40,000
Total		\$9,295,000

SUMMARY OF MAJOR FINDINGS AND RECOMMENDATIONS

Analysis
page

1. Commission Experiences Continuing Budget Reductions. 395
Commission has significantly fewer resources to devote to regulatory activities than it did eight years ago.

GENERAL PROGRAM STATEMENT

The California Coastal Commission administers the state's coastal management program, pursuant to the 1976 Coastal Act (as amended). The two principal elements of this program are (1) the review and approval of local coastal programs (LCPs) and (2) the regulation of development in the 71 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 114.6 personnel-years in the current year.

OVERVIEW OF THE BUDGET REQUEST

The budget proposes expenditures for the commission totaling \$9.3 million in 1990-91. This is an increase of \$144,000, or 1.6 percent, from estimated current-year expenditures. The proposed increase is the net result of (1) increases in employee compensation totaling \$242,000 and (2) decreases in operating expenses totaling \$98,000.

Proposed expenditures in 1990-91 consist of \$6.7 million from state funds, \$2.6 million of federal CZMA money and \$40,000 in reimbursements. The commission expects to retain approximately \$1 million, or 40 percent, of the CZMA money it receives in 1990-91. The remaining \$1.6 million will be passed through to (1) the State Coastal Conservancy (\$400,000) and the San Francisco Bay Conservation and Development Commission (\$200,000), (2) various other agencies (\$644,000) for the Tijuana River National Estuarine Sanctuary program and (3) local agencies (\$300,000) for the LCP grant program.

Table 1 provides a summary of the commission's expenditures, staff levels, and funding sources from 1988-89 through 1990-91.

Table 1
California Coastal Commission
Budget Summary
1988-89 through 1990-91
(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>1988-89</i>	<i>1989-90</i>	<i>1990-91</i>	<i>1988-89</i>	<i>1989-90</i>	<i>1990-91</i>	<i>From</i>
<i>Programs:</i>							<i>1989-90</i>
Coastal management program....	96.3	91.7	87.2	\$8,719	\$8,659	\$8,794	1.6%
Coastal energy program	6.0	6.0	6.0	416	452	461	2.0
Administration.....	16.9	16.9	16.9	983	1,007	1,048	4.1
Distributed administration.....	(14.9)	(14.9)	(14.9)	-943	-967	-1,008	4.2
Totals.....	119.2	114.6	110.1	\$9,175	\$9,151	\$9,295	1.6%
<i>Funding Sources</i>							
<i>General Fund</i>				\$6,195	\$6,012	\$6,255	4.0%
<i>Environmental License Plate Fund</i>				401	429	442	3.0
<i>Federal funds</i>				2,539	2,670	2,558	-4.2
<i>Reimbursements</i>				40	40	40	—

ANALYSIS AND RECOMMENDATIONS

Budget and Staff Reductions Continue to Hamper the Commission's Activities

Our analysis indicates that the commission has significantly fewer resources to devote to regulatory activities today than it did eight years ago.

In past years, we have noted that budget and staff reductions at the Coastal Commission have been adversely affecting the commission's ability to carry out its statutory mandates. This situation has persisted in the current year: permit workload per staff member remains high; a

CALIFORNIA COASTAL COMMISSION—Continued

substantial enforcement case backlog remains; LCP certification delays continue; and post-LCP certification workload also remains high.

Table 2 summarizes the effect of budget reductions on the level of General Fund support for the commission over the past eight years. (The General Fund provides the support for general regulatory activities of the commission.) As the table illustrates, after adjusting for inflation the commission will have experienced a net decrease of about \$2 million, or 31 percent, in its annual General Fund support since 1982-83, based on proposed 1990-91 funding. Similarly, staffing will have been reduced by 59.4 personnel-years, or 35 percent, during this period.

Table 2
California Coastal Commission
General Fund Support and
Staffing Summary
1982-83 through 1989-90
(dollars in thousands)

	<i>Personnel- Years</i>	<i>General Fund Support</i>	
		<i>Current Dollars</i>	<i>Constant Dollars^a</i>
1982-83	169.5	\$6,374	\$6,374
1983-84	129.9	5,349	5,115
1984-85	127.0	5,925	5,408
1985-86	114.2	5,884	5,173
1986-87	122.4	5,906	5,029
1987-88	114.2	5,895	4,800
1988-89	119.2	6,195	4,819
1989-90 ^b	114.6	6,012	4,463
1990-91 ^c	110.1	6,255	4,408

^a Base year 1982-83.

^b Estimated.

^c Proposed.

For 1990-91, the budget does not propose any significant adjustments to address the commission's workload problems. In addition, the budget does not include additional funding necessary for increased rental expenses following the relocation of the commission's headquarters office. This move was approved in the 1989-90 budget and is expected to take place in the spring of 1990. Consequently, the commission will have to absorb within its existing budget at least \$200,000 annually for increased rent, effectively resulting in another reduction in funds available to address workload in 1990-91.

STATE COASTAL CONSERVANCY

Item 3760 from the Coastal
Conservancy Fund and
various funds

Budget p. R 142

Requested 1990-91	\$3,936,000
Estimated 1989-90	6,487,000
Actual 1988-89	3,054,000
Requested decrease (excluding amount for salary increases) \$2,551,000 (—39 percent)	
Total recommended reduction	None

1990-91 FUNDING BY ITEM AND SOURCE

Item—Description	Fund	Amount
3760-001-565—Support	1976 State Coastal Conservancy (Bond)	\$708,000
3760-001-730—Support	1984 State Coastal Conservancy (Bond)	495,000
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)	1,310,000
Total, Budget Act Appropriations		\$2,763,000
Direct Appropriations: Public Resources Code Section 5907 (2)		\$798,000
Reimbursements	—	375,000
Total, All Expenditures		\$3,936,000

GENERAL PROGRAM STATEMENT

Chapter 1441, Statutes of 1976 (AB 3544, Wornum) 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.

STATE COASTAL CONSERVANCY—Continued

The conservancy has 48 personnel-years in the current year.

ANALYSIS AND RECOMMENDATIONS

We recommend approval.

The budget proposes total expenditures of \$3.9 million from the 1988 California Wildlife, Coastal and Park Land Conservation (Bond) Fund (Proposition 70—\$2.1 million), various other bond funds (\$1.5 million) and reimbursements (\$375,000) for support of the Coastal Conservancy in 1990-91. Reimbursements primarily consist of federal funds from the federal Coastal Zone Management Act (CZMA) passed through to the conservancy by the Coastal Commission (the commission is the state agency designated to receive CZMA funds).

Table 1 provides a three-year summary of the conservancy's expenditures by program and funding source. As shown in Table 1, the requested amount is \$2.6 million, or 39 percent, less than estimated current-year expenditures. The decrease primarily reflects: (1) the deletion of four current-year local assistance grants totaling \$1.4 million; and (2) the elimination of \$1 million in reimbursements provided on a one-time basis in the current year, pursuant to Ch 1002/88 (AB 2605, Seastrand) for commercial fishing vessel and gear staging and repair space loans.

Table 1
State Coastal Conservancy
Summary of Expenditures and Funding Sources
1988-89 through 1990-91
(dollars in thousands)

	Personnel-Years			Expenditures			Percent
	Actual 1988-89	Est. 1989-90	Prop. 1990-91	Actual 1988-89	Est. 1989-90	Prop. 1990-91	Change From 1989-90
Program:							
Agricultural land preservation....	4.0	4.5	4.5	\$326	\$394	\$306	-22.3%
Coastal restoration	4.0	5.0	5.0	425	488	240	-50.8
Public access.....	5.0	4.0	4.0	669	1,731	545	-68.5
Resource enhancement	7.5	9.6	10.1	731	1,236	1,759	42.3
Site reservation.....	2.0	3.0	3.0	225	284	154	-45.8
Urban waterfront restoration	5.0	5.1	5.1	544	2,145	875	-59.2
Nonprofits	2.0	1.2	0.9	134	209	57	-72.7
Administration.....	15.0	15.6	15.9	(620)	(679)	(702)	3.4
Totals	44.5	48.0	48.5	\$3,054	\$6,487	\$3,936	-39.3
Funding Sources:							
State Coastal Conservancy (Bond) Fund of 1976.....				\$193	\$811	\$708	-12.7%
Parklands (Bond) Fund of 1980				1,643	172	—	-100.0
State Coastal Conservancy (Bond) Fund of 1984.....				751	300	495	65.0
Fish and Wildlife Habitat (1984 Bond) Fund.....				249	250	250	—
California Wildlife, Coastal and Park Land Conservation (Bond) Fund of 1988				82	2,469	2,108	-14.6
Public Resources Account, Cigarette and Tobacco Products Surtax Fund				—	750	—	-100.0
Environmental License Plate Fund				—	350	—	-100.0
Reimbursements.....				136	1,385	375	-72.9

The budget proposes an increase in the conservancy's staff of four positions (one permanent, two limited-term and one for temporary help)

in 1990-91. These additions primarily are associated with the continuation of increased project workload related to Proposition 70. The increase is almost entirely offset by additional salary savings and other budget adjustments.

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

Capital Outlay

The Governor's Budget proposes several appropriations in Item 3760 totaling \$11.3 million for capital outlay expenditures by the Coastal Conservancy. Please see our analysis of the conservancy's proposed capital outlay program in the capital outlay section of this *Analysis* which is in the back portion of this document.

DEPARTMENT OF PARKS AND RECREATION

Items 3790, 3790-401 and
3790-491 from the General
Fund and various funds

Budget p. R 151

Requested 1990-91	\$330,898,000
Estimated 1989-90	334,455,000
Actual 1988-89	235,653,000
Requested decrease (excluding amount for salary increases) \$3,557,000 (-1.1 percent)	
Total recommended reduction	77,000
Recommendation pending	1,794,000

1990-91 FUNDING BY ITEM AND SOURCE

Item—Description	Fund	Amount
3790-001-001—Support	General	\$86,509,000
3790-001-235—Support	Public Resources Account, Cigarette and Tobacco Products Surtax	2,143,000
3790-001-263—Support	Off-Highway Vehicle	10,132,000
3790-001-392—Support	State Parks and Recreation	53,321,000
3790-001-394—Support	Fines and Forfeitures Account, State Parks and Recreation	388,000
3790-001-449—Support	Winter Recreation	93,000
3790-001-463—Support	Roberti-Z'berg-Harris Urban Open-Space and Recreation Program Account	514,000
3790-001-516—Support	Harbors and Watercraft Revolving	366,000
3790-001-722—Support	1984 Parklands (Bond)	5,037,000
3790-001-732—Support	State Beach, Park, Recreational and Historical Facilities (1964 Bond)	9,000

DEPARTMENT OF PARKS AND RECREATION—Continued

3790-001-733—Support	1974 State Beach, Park, Recreational and Historical Facilities (Bond)	776,000
3790-001-786—Support	1988 California Wildlife, Coastal and Park Land Conservation (Bond)	637,000
3790-001-890—Support	Federal Trust	1,783,000
3790-011-062—Revenue transfer for maintenance of park roads	Highway Users Tax Account, Transportation Tax	(1,500,000)
3790-011-235—Revenue transfer for 1986 bond fund interest	Public Resources Account, Cigarette and Tobacco Products Surtax	5,500,000
3790-012-235—Revenue transfer to 1988 bond fund for emergency earthquake repairs	Public Resources Account, Cigarette and Tobacco Products Surtax	1,300,000
3790-101-263—Local assistance grants	Off-Highway Vehicle	11,542,000
3790-101-722—Local assistance grants	1984 Parklands (Bond)	61,000
3790-101-786—Local assistance grants	1988 California Wildlife, Coastal and Park Land Conservation (Bond)	28,752,000
3790-101-890—Local assistance	Federal Trust	2,325,000
3790-111-716—Transfer for prior year administrative cost deficiency	Community Parklands (1986 Bond)	(3,000)
3790-491-786—Reappropriation, local assistance	1988 California Wildlife, Coastal and Park Land Conservation (Bond)	23,801,000
Total, Budget Act Appropriations		<u>(\$234,989,000)</u>
Direct Appropriations		
Public Resources Code Section 5907 (b) (1) and (3)—Support	1988 California Wildlife, Coastal and Park Land Conservation (Bond)	\$220,000
Public Resources Code Section 5907 (b) (3)—Local assistance grants	1988 California Wildlife, Coastal and Park Land Conservation (Bond)	97,329,000
Total, Direct Appropriations		<u>(\$97,549,000)</u>
Reimbursements		5,160,000
Transfer from Public Resources Account to 1986 park bond fund for bond interest payments		—5,500,000
Transfer from Public Resources Account to 1988 park bond fund for earthquake repair repayment		—1,300,000
Total, All Expenditures		<u>\$330,898,000</u>

SUMMARY OF MAJOR FINDINGS AND RECOMMENDATIONS*Analysis
page*

1. Park User Fees. Fees charged in the state park system generally are comparable to those for use of parks in other western states and national recreation lands. 407
2. 1986 Park Bond Fund Loan Interest. The budget proposes to transfer \$5.5 million from the Public Resources Account to the 1986 park bond fund for additional local assistance grants. 409
3. 1988 Park Bond Fund Earthquake Repair Costs. The Legislature has several options for proposed transfer of \$1.3 410

- million from the Public Resources Account to park bond funds for reimbursement of earthquake repair expenditures.
4. Workers' Compensation Costs. Withhold recommendation on \$1.8 million from the State Parks and Recreation Fund requested for workers' compensation benefits, pending the receipt of information justifying this augmentation. 411
 5. State Park System Staffing. Recommend that the department report at budget hearings on information requested in the *Supplemental Report of the 1989 Budget Act* regarding the level of support provided in the state parks by sources other than departmental staff. 412
 6. *New Facilities. Reduce Item 3790-001-392 by \$77,000.* Recommend deletion of \$77,000 from the State Parks and Recreation Fund and one personnel-year because delays in project completions have postponed the need for these funds and staff. Further recommend adoption of Budget Bill language limiting expenditure of funds for operation of another park unit. 412
 7. Concession Contracts. Recommend adoption of supplemental report language expressing approval of the department's proposals for two concession contracts. 413
 8. Operating Agreements. Recommend adoption of supplemental report language expressing approval of the department's proposed operating agreement. 415

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 275 units, including 39 units administered by local and regional park agencies. The system contains approximately 1.4 million acres of land with 290 miles of ocean and bay frontage and 686 miles of lake, reservoir, and river frontage. During 1990-91, more than 78 million visitations are anticipated at state parks and beaches 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.

DEPARTMENT OF PARKS AND RECREATION—Continued

The SVRATS consists of approximately 52,500 acres in seven units. The department estimates that more than 1.4 million visitations to these units will occur during 1990-91.

The department has 2,883 personnel-years in the current year.

MAJOR ISSUES

-  The prices charged for California state parks meet or exceed the prices charged for other public parks in the western states. Despite these relatively high prices, these fees pay for only 35 percent of the costs of operating state park units.
-  The budget proposes to transfer a total of \$6.8 million from the Public Resources Account to cover costs already incurred by two park bond funds:
 - A \$5.5 million transfer to the 1986 park bond fund for loan interest payments; and
 - A \$1.3 million transfer to the 1988 park bond fund for reimbursement of expenditures related to earthquake repair.

OVERVIEW OF THE BUDGET REQUEST

The budget proposes expenditures for the Department of Parks and Recreation totaling \$331 million for support and local assistance in 1990-91. This is a decrease of \$3.6 million, or 1.1 percent, from estimated current-year expenditures from all sources.

State Operations. The budget requests a total of \$167.1 million from the General Fund (\$86.5 million), the State Parks and Recreation Fund (\$53.3 million), various other state special and bond funds (\$20.3 million), federal funds (\$1.8 million) and reimbursements (\$5.2 million) for support of the department in 1990-91. This is an increase of \$4 million, or 2.5 percent, above total estimated current-year support costs. The increase primarily reflects an augmentation to address increasing workers' compensation costs; additional staff and operating costs for new facilities, and baseline adjustments to maintain the department's current level of activity.

Local Assistance. The department proposes expenditures totaling \$163.8 million for local assistance grants in 1990-91. This amount consists of *new* appropriations totaling \$42.7 million and appropriations authorized by the 1988 California Wildlife, Coastal and Park Land Conservation Act (commonly known as Proposition 70) consisting of (1) reappropriations of \$23.8 million and (2) a carry-over of \$97.3 million in *direct* appropriations.

The total amount proposed for local assistance expenditures in 1990-91 represents a net *decrease* of \$7.6 million, or 4.4 percent, from estimated current-year expenditures for local assistance. This decrease primarily reflects (1) elimination of one-time spending from the Public Resources Account, Cigarette and Tobacco Products Surtax Fund (PRA) and (2) a reduction in the amounts remaining in the various bond funds that are available for appropriation.

Program and Budget Change Summaries

Table 1 provides a summary of the department's expenditures, by program, for 1988-89 through 1990-91. As Table 1 indicates, the department requests a *net* increase of 31 personnel-years (PYs) in the budget year. This reflects the proposed addition of 75 new positions (69.6 personnel-years), primarily to operate new park facilities, increase public access and safety at existing facilities, provide evening tours at Hearst San Simeon State Historic Monument and provide various administrative services. These increases are offset by additional salary savings and other budget adjustments.

Table 1
Department of Parks and Recreation
Summary of Expenditures and Funding Sources
1988-89 through 1990-91
(dollars in thousands)

	Personnel-Years			Expenditures			Percent Change From 1988-90
	Actual 1988-89	Est. 1989-90	Prop. 1990-91	Actual 1988-89	Est. 1989-90	Prop. 1990-91	
Programs							
Support:							
Statewide planning	23.8	26.9	23.4	\$1,250	\$1,448	\$1,576	8.8%
Acquisition	26.3	25.1	24.7	1,408	1,525	1,590	4.3
Property management	—	—	—	29	596	596	—
Facilities development	78.7	81.9	80.8	5,084	5,602	5,795	3.4
Resources preservation and interpretation	107.9	91.8	87.4	5,719	7,349	7,763	5.6
Historic preservation	19.2	19.5	19.3	1,123	1,148	1,186	3.3
Park system operations	2,378.9	2,314.4	2,352.8	125,487	134,923	136,949	1.5
Off-highway vehicle (OHV) ...	111.3	114.1	116.0	9,005	9,115	10,132	11.2
Grants administration (non- OHV)	17.6	19.7	19.4	1,224	1,373	1,501	9.3
Departmental administration (costs distributed)	198.8	189.6	190.2	(18,679)	(15,756)	(18,475)	17.3
Subtotals, support	(2,962.5)	(2,883.0)	(2,914.0)	(\$150,329)	(\$163,079)	(\$167,088)	(2.5%)

DEPARTMENT OF PARKS AND RECREATION—Continued

Table 1—Continued
Department of Parks and Recreation
Summary of Expenditures and Funding Sources
1988-89 through 1990-91
(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>1988-89</i>	<i>1989-90</i>	<i>1990-91</i>	<i>1988-89</i>	<i>1989-90</i>	<i>1990-91</i>	<i>From</i>
							<i>1989-90</i>
Local Assistance:							
Local assistance grants.....	—	—	—	73,578	149,584	150,382	0.5
OHV local assistance grants....	—	—	—	10,532	10,730	11,542	7.6
Historic preservation grants....	—	—	—	1,214	11,062	1,886	-83.0
Subtotals, local assistance.....	(—)	(—)	(—)	(\$85,324)	(\$171,376)	(\$163,810)	(-4.4%)
Totals.....	2,962.5	2,883.0	2,914.0	\$235,653	\$334,455	\$330,898	-1.1%
Funding Sources							
General Fund.....				79,245	87,501	86,509	-1.1%
State Parks and Recreation Fund (SPRF).....				49,654	47,924	53,321	11.3
Fines and Forfeitures Account, SPRF.....				276	360	388	7.8
Public Resources Account, Cigarette and Tobacco Products							
Surtax Fund.....				—	11,330	8,943	-21.1
Special Account for Capital Outlay.....				2,369	3,000	—	-100.0
Environmental License Plate Fund.....				1,180	1,015	—	-100.0
Off-Highway Vehicle Fund.....				18,724	19,845	21,674	9.2
Winter Recreation Fund.....				98	88	93	5.7
Roberti-Z'berg-Harris Urban Open-Space and Recreation Program Account.....				—	400	514	28.5
Harbors and Watercraft Revolving Fund.....				332	359	366	1.9
Bond funds.....				76,256	151,602	149,822	-1.2
Federal funds.....				2,781	5,922	4,108	-30.6
Reimbursements.....				4,738	5,109	5,160	1.0

Table 2 identifies, by funding source, proposed 1990-91 budget changes for the department. 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), park bond funds and various other state special funds (primarily the PRA).

Table 2
Department of Parks and Recreation
Proposed 1990-91 Budget Changes, by Fund
(dollars in thousands)

	<i>General Fund</i>	<i>State Parks and Recreation Fund</i>	<i>Off- high- way Vehicle Fund</i>	<i>Various Park Bond Funds</i>	<i>Various Other Funds^a</i>	<i>Federal Funds and Reim- burse- ments</i>	<i>Totals</i>
1989-90 Expenditures (Budget Act).....	\$83,124	\$47,951	\$18,453	\$137,328	\$5,074	\$8,877	\$300,807
<i>Adjustments, 1989-90:</i>							
Employee compensation increases.....	3,119	—	200	—	20	83	3,422
Retirement rate reduc- tion.....	-47	-27	—	—	—	—	-74
Chartered legislation ^b ...	1,329	—	—	4,247	11,335	132	17,043
Carryover appropria- tions.....	—	—	1,308	135,002	300	1,939	138,549
Unexpended balances....	-24	—	-116	-124,975	-177	—	-125,292
1989-90 Expenditures (Re- vised).....	\$87,501	\$47,924	\$19,845	\$151,602	\$16,552	\$11,031	\$334,455
<i>Baseline Adjustments:</i>							
One-time costs in 1989- 90.....	21	-52	-125	-1,302	-3,587	-132	-5,177
Deletion of limited-term positions.....	—	—	-382	-600	—	—	-982
Pro rata adjustment.....	—	—	24	—	21	-17	28
Full-year costs of 1989-90 programs.....	—	205	57	—	5	—	267
Full-year costs of 1989-90 salary and benefit in- creases.....	313	1,985	148	—	14	61	2,521
Price increase.....	—	—	48	—	—	18	66
Subtotals, baseline ad- justments.....	(\$334)	(\$2,138)	(-\$230)	(-\$1,902)	(-\$3,547)	(-\$70)	(-\$3,277)
<i>Workload and Administra- tive Changes:</i>							
Workers' compensation augmentation.....	—	\$1,794	—	—	—	—	\$1,794
Staffing and operation of new facilities.....	—	851	\$85	—	\$512	—	1,448
Extension of limited- term positions.....	—	—	449	\$387	—	—	836
OHV resource mainte- nance program in- crease.....	—	—	500	—	—	—	500
Environmental educa- tion materials.....	—	—	—	—	100	—	100
Transfer for earthquake damage repair.....	—	—	—	-1,300	1,300	—	—

DEPARTMENT OF PARKS AND RECREATION—Continued

Table 2—Continued
Department of Parks and Recreation
Proposed 1990-91 Budget Changes, by Fund
(dollars in thousands)

	<i>General Fund</i>	<i>State Parks and Recre- ation Fund</i>	<i>Off- high- way Vehicle Fund</i>	<i>Various Park Bond Funds</i>	<i>Various Other Funds^a</i>	<i>Federal Funds and Reim- burse- ments</i>	<i>Totals</i>
Transfer for 1986 park bond interest.....	—	—	—	-5,500	5,500	—	—
New administrative positions	—	—	—	—	114	—	114
Miscellaneous workload adjustments	—	54	—	—	118	136	308
Subtotals, workload and administrative changes.....	(—)	(\$2,699)	(\$1,034)	(-\$6,413)	(\$7,644)	(\$136)	(\$5,100)
<i>Program Changes:</i>							
Hearst San Simeon evening tours	—	560	—	—	—	—	560
Aquatic safety program increase	—	—	—	—	1,013	—	1,013
Monterey State Historic Park maritime museum.....	—	—	—	—	400	—	400
Pismo Dunes dispatch center upgrade.....	—	—	213	—	—	—	213
Local assistance grants ...	-1,326	—	812	-114,595	-11,758	-1,829	-128,696
Carry-over of 1988 Bond Act direct appropriations	—	—	—	121,130	—	—	121,130
Subtotals, program changes.....	(-\$1,326)	(\$560)	(\$1,025)	(\$6,535)	(-\$10,345)	(-\$1,829)	(-\$5,380)
1990-91 Expenditures (Proposed)	\$86,509	\$53,321	\$21,674	\$149,822	\$10,304	\$9,268	\$330,898
Change from 1989-90:							
Amount.....	-\$992	\$5,397	\$1,829	-\$1,780	-\$6,248	-\$1,763	-\$3,557
Percent.....	-1.1%	11.3%	9.2%	-1.2%	-37.7%	-16.0%	-1.1%

^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; and Public Resources Account, Cigarette and Tobacco Products Surtax Fund.

^b Primarily reflects costs of Ch 1241/89 (AB 1580, Willie Brown) which funded various park and other projects. Most of these projects were included in the 1989 Budget Bill as enacted by the Legislature, but subsequently were vetoed by the Governor.

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) \$1 million and 15.8 PYs for lifeguard services at the department's Russian River, Pajaro Coast, Monterey and Santa Monica Mountains Districts; (2) \$400,000 for a film and

orientation exhibits for a new maritime museum and orientation center at the Monterey State Historic Park, to be constructed with \$4 million in private funds in 1990-91; and (3) \$100,000 for operating expenses to expand the department's environmental education program.

- An increase of \$560,000 from the SPRF and 17.2 PYs to begin evening tours at Hearst San Simeon State Historic Monument.
- Increases from the Off-Highway Vehicle (OHV) Fund of: (1) \$500,000 and 0.5 PY for the ongoing OHV resource maintenance program (this primarily reflects a shift in funding from minor capital outlay to support); and (2) \$213,000 in operating expenses and equipment to upgrade the Pismo Dunes State Vehicular Recreation Area dispatch center.

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 \$42.7 million from the 1988 California Wildlife, Coastal and Park Land Conservation (Bond) Fund (\$28.8 million), the 1984 Parklands (Bond) Fund (\$61,000), the OHV Fund (\$11.5 million) and federal funds (\$2.3 million).
- Reappropriations in Item 3790-491 totaling \$23.8 million for local assistance grants from the 1988 park bond fund in various categories. These funds would be available for expenditure through 1991-92.

Overview of Park User Fees

Our analysis indicates that the fees charged in the state park system generally meet or exceed those for use of parks in other western states and national recreation lands.

Public Resources Code Section 5010 authorizes the department to collect fees for the use of any state park system area. The specific fees for different types of use are set at the department's discretion. It is the department's policy to conduct an annual public hearing before the State Park and Recreation Commission, if the department proposes any fee changes. Park fee revenues are deposited in the State Parks and Recreation Fund (SPRF) where they are available upon appropriation for departmental purposes. Because these fee revenues are not "proceeds of taxes," appropriations from revenues to the SPRF are not subject to the state appropriations limit.

The budget proposes that about 35 percent of the total costs for field operations support in 1990-91 be funded from the SPRF. This is comparable to the levels of support from the SPRF in recent years. The balance of these support costs is funded from the General Fund (60 percent) and various other funds (5 percent).

The department indicates that it considers the following primary criteria in establishing its fee schedule:

- Level of service provided by the facilities.
- Costs of operation.
- Practical ability to collect fees.

DEPARTMENT OF PARKS AND RECREATION—Continued

- Fees of similar facilities in the market area.
- Affordability to the public.

Table 3
Department of Parks and Recreation
Selected Comparisons of Park Use Fees
1989-90

	Number of Park Units	Annual Day Use Pass	Day Use	Daily Fees		
				Devel- oped Camp- sites	RV Sites with Full Hookups	Group Campsites
State Parks:						
California.....	277 ^a	\$50	\$3 ^b	\$10 ^c	\$16	\$30 to \$150 ^d
Arizona.....	18	30	3	5 to 6	8	— ^e
Colorado.....	28	30	3	6 to 7	10	— ^e
Idaho.....	18	— ^e	6	6 to 7	10	20+ \$1/person
New Mexico.....	37	35	3	7	13	— ^e
Nevada.....	22	50	up to 4	2 to 5 ^f	— ^e	10 to 50
Oregon.....	200	— ^e	1	6 to 9 ^f	8 to 11 ^f	30
Utah.....	50	50	3	8	10	\$2/person
Washington.....	146	— ^e	—	7	10	\$.50/person
Federal Lands:						
National Park Service (in CA).....	8	— ^e	5	4 to 13	— ^e	20 to 50 ^g
U.S. Forest Service (in CA).....	18	— ^e	— ^h	3 to 10	— ^e	10 to 150 ^d
Local Parks:						
Sacramento County.....	8	30	0 to 3	— ^e	— ^e	\$1/person
East Bay Regional Park District.....	21 ⁱ	50	2 to 3 ^f	10	16	75+ \$2.50/person
Los Angeles County.....	108 ^j	90	— ^k	5	— ^e	13 to 75
Private Campgrounds: ^l						
Lake Shasta.....	— ^e	— ^e	— ^e	10 to 12	14 to 16	— ^e
Mother Lode.....	— ^e	— ^e	— ^e	10 to 12	10 to 16	— ^e
West Sacramento.....	— ^e	— ^e	— ^e	17	21	— ^e
Mendocino coast.....	— ^e	— ^e	— ^e	19	24	— ^e

^a Includes 40 units administered by local and regional park agencies.

^b Rate is per vehicle. Rate is \$4 at six State Recreation Areas, southern park units with coastal access and five units on weekends and holidays.

^c Off-season rate of \$5 at three units; peak season rates from \$11 to \$13 at five units; premium rates of \$12 to \$20 for beachfront campsites at three units; and weekend and holiday rates from \$12 to \$14 at four units.

^d Variable rate, based on capacity of facilities.

^e Not applicable.

^f Lower rates are for off season.

^g Rate varies by location.

^h Parking fee of \$2 charged at three Lake Tahoe beaches.

ⁱ Includes two state parks operated by the district. An additional 21 units do not charge any fees.

^j Includes 58 local neighborhood parks, 45 community and regional parks, and five state parks operated by LA County.

^k \$4 vehicle entry fee charged at three regional parks (in season only, plus weekends and holidays year-round).

^l Only one sample for each location.

The department adjusted its fees most recently in March 1989. At that time, it enacted a pilot program to increase prices at fourteen selected parks that have experienced high demand. The department now is collecting data to evaluate the effects of these fee increases to see whether high-demand pricing should be extended to other park units statewide. Consequently, no fee changes are proposed for calendar year 1990.

Table 3 provides a comparison of common types of park fees charged at state, federal and local parks and at private campgrounds during the current year. As Table 3 indicates, the respective fees charged in California's state park system (1) meet or exceed those in other western states, (2) are similar to fees charged by federal and local parks in California and (2) are less than camping fees charged by some private campgrounds.

Based on the information in Table 3, it is not clear that the department could increase its fees to provide more revenue to the SPRF for support of field operations.

1986 Park Bond Fund Loan Interest

The Governor's Budget proposes to transfer \$5.5 million from the Public Resources Account to the 1986 park bond fund for loan interest payments.

In 1986, the voters approved the Community Parklands Act, which authorized the sale of \$100 million in bonds to fund population-based grants for local parks and recreation projects. To begin the grant program, the department borrowed funds from the Pooled Money Investment Account (PMIA), in advance of actual bond sales. (Because the federal Tax Reform Act of 1986 requires that all bond proceeds be spent within six months of their sale, the actual monies initially used for bond-funded expenditures now generally come from loans from the PMIA; these loans are paid back once sufficient expenditures have occurred to warrant issuance of the bonds.)

Chapter 984 Statutes of 1988 (SB 2172, Campbell) generally requires that the interest on PMIA loans be paid from bond funds themselves (if interest payments are explicitly authorized in a bond act), rather than from the General Fund. However, because the department's original allocation of the 1986 bond fund to the local grant recipients was made prior to enactment of Chapter 984, it did not set aside any funds for PMIA loan interest, as it assumed these interest costs would be paid from the General Fund as had been occurring prior to Chapter 984.

Pursuant to Chapter 984, a portion of the eventual proceeds from the unsold bonds now must be reserved to pay the interest on the PMIA loans. Consequently, fewer bond funds will be available for the local assistance grant program. Based on past and projected bond sale activity and using the current loan interest rate, the Treasurer's Office projects that it must set aside \$5.5 million in the 1986 bond fund to pay the interest on PMIA loans from 1988-89 through 1990-91. As a result, the department is faced with reducing local agency allocations or using another source of funds to make up the \$5.5 million that has already been allocated to the local agencies.

DEPARTMENT OF PARKS AND RECREATION—Continued

Accordingly, the budget requests \$5.5 million from the Public Resources Account (PRA) as a transfer to the 1986 bond fund to allow the department to provide local agencies with the grant allocations that were calculated in 1986.

Our analysis indicates that the Legislature's options to address this problem are very limited. Without an outside source of funds, the department would have to reduce the amounts of individual local assistance grants that already have been appropriated and allocated for local agency expenditure. The department indicates that approximately 100 agencies already have completed their projects and have received all of their allocations. Most of the remaining agencies have begun their projects and have received advances on their allocations from the department. Finally, a total of 46 local agencies are scheduled to receive the remaining \$6.6 million in pro capita allocations appropriated in the current-year.

As indicated above, the budget proposes to use funds from the PRA to restore the \$5.5 million in local grants that now must be reserved to pay the PMIA loan interest. Other than the General Fund, there does not appear to be any fund source available for this purpose that could be used instead of the PRA.

1988 Park Bond Fund Earthquake Repair Costs

Our analysis indicates that the Legislature has options regarding the budget's proposed transfer of \$1.3 million from the Public Resources Account to park bond funds for reimbursement of earthquake repair expenditures.

The budget proposes to transfer \$1.3 million from the PRA to the 1988 California Wildlife, Coastal and Park Land Conservation (Bond) Fund in 1990-91. This transfer would reimburse the bond fund for the cost of repairing damage caused by the October 1989 Loma Prieta earthquake in various park units in the department's Central Coast Region.

Chapter 7x (SB 10x, Morgan) and Chapter 8x (AB 39x, Seastrand), Statutes of 1989, appropriated \$1.3 million from the 1988 park bond fund primarily because, at the time of the special session in November 1989, no other funds appeared to be available for this purpose. The budget proposes that the PRA be used to restore the \$1.3 million to the bond fund so that this amount would be available for future state park system capital outlay projects, as authorized by the bond act.

Because the PRA can be used to support a variety of programs within the resources area, the Legislature may wish to consider the use of other fund sources for this transfer. Using these options would make available some or all of the \$1.3 million in the PRA for other resources-related purposes in 1990-91.

Our review indicates that alternative fund sources include:

1980 Parklands (Bond) Fund. A balance of \$1.2 million is available in 1990-91 for appropriation to the Department of Parks and Recreation and the State Coastal Conservancy for local assistance and capital outlay

projects. The budget proposes to spend this entire amount on three new park development projects (\$767,000) and various minor park capital outlay projects statewide (\$425,000).

Emergency Sales Tax. An estimated \$785 million in sales tax revenue will be deposited in the newly created Disaster Relief Fund, for the purpose of funding earthquake relief. Under existing law, the Director of Finance may transfer some of this revenue to the General Fund for expenditure by state agencies on earthquake response projects. If the Legislature chooses this option, it may wish to limit the amount of the revenue transfer to the cost only of those repair projects that are directly related to public health and safety (we identified a total of \$761,000 for 24 such projects, out of the department's overall list of 70 projects for repair of earthquake damage.)

Workers' Compensation Costs

We withhold recommendation on \$1.8 million from the State Parks and Recreation Fund requested for workers' compensation benefits, pending the receipt of information justifying this amount.

The budget proposes an augmentation of \$1.8 million from the SPRF for the department's current costs of workers' compensation benefits in 1990-91. The department's current annual allocation for these costs is \$1.1 million. This allocation has remained constant since 1986-87. According to the department, however, actual expenditures for the cost of worker's compensation have risen from \$1.6 million in 1986-87 to \$2.4 million in 1988-89, an increase of 50 percent. In addition, the department projects that the total cost of the benefits will reach \$2.9 million in the budget year.

The department speculates that there are several reasons why these costs have been increasing, including more work-related stress, lack of proper equipment and training, higher payment awards, and a larger number of employees who are aware of and apply for workers' compensation. The department believes that most of the costs of the program are uncontrollable.

Our analysis indicates that the department has experienced an increase in costs for its workers' compensation program in recent years. However, the department has not provided (1) detailed expenditure data which is needed to evaluate the actual and estimated levels of program spending for the past, current and budget years and (2) specific data on the estimated effects on its program costs of recent legislation—Ch 892/89 (AB 276, Margolin) and Ch 893/89 (SB 47, Lockyer)—that significantly modifies the state's workers' compensation system. Without this information, we have no analytical basis on which to assess whether the amount of funding proposed for 1990-91 is appropriate. Consequently, we withhold recommendation on \$1.8 million requested for workers' compensation benefits, pending receipt of this information.

DEPARTMENT OF PARKS AND RECREATION—Continued**More Information Still Needed on State Park System Staffing**

We recommend that the department report at budget hearings on information requested in the Supplemental Report of the 1989 Budget Act regarding the levels of staff provided in the state parks by volunteers, cooperating associations, inmate labor and other sources of additional staff.

In the *Supplemental Report of the 1989 Budget Act*, the Legislature directed the department to report by December 1, 1989 concerning various available resources, uses and revenues for each district in the state park system, including information on "other staff used to support operations staff." This report was intended to improve the Legislature's ability to evaluate the department's annual requests for additional field staffing.

The department submitted the report on time. However, the report provides only *descriptive* information on the "other staff" referred to in the supplemental report language, rather than specific estimates of personnel-year equivalents. Although these personnel—such as volunteers, cooperating associations, California Conservation Corps members and inmate labor crews—are not explicitly included in the department's budget requests, the department indicates that they play an essential part in many park districts' field operations.

Without specific information on the number of nondepartmental staff used in each park district, it is difficult to determine whether additional department staff is needed to meet the overall field staffing needs for a new or existing park unit. The department advises that it is in the process of collecting this information from its districts. Accordingly, we recommend that the department report at budget hearings on the estimated numbers of nondepartmental staff used to support field operations staff in the districts of the state park system.

Delays in Projects Postpone the Need for New Staff

We recommend reductions totaling \$77,000 from the State Parks and Recreation Fund and the deletion of one personnel-year because delays in the completion of development projects at two park units have postponed the need for these funds and staff. We further recommend the adoption of Budget Bill language limiting the expenditure of funds for operation of another park unit until a related access project is completed. (Reduce Item 3790-001-392 by \$77,000.)

The budget requests an additional 16.7 PYs and \$851,000 from the SPRF in 1990-91 to (1) staff and operate new state park day-use, camping and support facilities and (2) provide public access and maintain new acquisitions. In addition, the budget proposes one-time expenditures totaling \$301,000 from the Public Resources Account (PRA) for equipment purchases for these new facilities. The department estimates that the ongoing annual costs of staffing these properties will be \$977,000 and 17.2 PYs. The ongoing costs are higher primarily 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 the positions. Accordingly, we recommend reductions totaling \$77,000 and 1.0 PY for the two units, as detailed below.

Torrey Pines State Beach. We recommend a reduction of \$58,000 from the SPRF and 0.7 PY to operate and maintain new day-use facilities. This would provide sufficient funds for personnel and operating expenses, beginning in March 1991, when the department now expects the development to be completed.

Patrick's Point State Park. We recommend a reduction of \$19,000 from the SPRF and 0.3 PY to operate and maintain a new Native American village development. This would provide sufficient funds for personnel and operating expenses, beginning in October 1990, when the department now expects the development to open.

In addition, the budget proposes \$80,000 from the SPRF for staff and operating expenses and \$20,000 from the PRA for equipment to begin operations at Olompali State Historic Park in Marin County. However, this park unit cannot be opened to the public until the Department of Transportation (Caltrans) constructs a turnoff from Highway 101. The department indicates that, at the time of this analysis, its negotiations with Caltrans over this highway project still were in progress. Thus, the completion of the project by the start of the budget year is questionable. Accordingly, we recommend the adoption of the following Budget Bill language (in Item 3790-001-001) to (1) prohibit spending operating or equipment funds until the projects are ready and (2) reduce operating funds in proportion to the length of any delay:

1. Of the amount appropriated by this item, \$100,000, as transferred from Items 3790-001-392 (\$80,000) and 3790-001-235 (\$20,000), shall be available for operation of Olompali State Historic Park, but none of these funds shall be available for expenditure until the access road project is completed. The amount transferred from Item 3790-001-392 shall be available for allocation by the Director of Finance, based on the number of months remaining in the fiscal year at the time the access road project is completed.

State Park Concession Contracts

We recommend that the Legislature adopt supplemental report language expressing approval of the department's two 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 4 summarizes the findings of the department's draft 1988-89 annual concessions report.

DEPARTMENT OF PARKS AND RECREATION—Continued

Table 4
Department of Parks and Recreation
Summary of Concession Operations
1987-88 and 1988-89
(dollars in thousands)

	1987-88	1988-89	Change from 1987-88	
			Amount	Percent
Number of concession contracts.....	172	168	-4	-2.3%
Gross sales.....	\$46,612	\$51,039	\$4,427	9.5
Revenue to the state.....	\$4,607	\$5,057	\$450	9.8

As shown in Table 4, revenues to the state increased by \$450,000, or 9.8 percent, from 1987-88 to 1988-89. The following two concessions accounted for 60 percent of the rental revenues to the state in 1988-89: (1) ARA Food Service at Hearst San Simeon State Historic Monument (\$1.9 million) and (2) Bazaar del Mundo in Old Town San Diego State Historic Park (\$1.1 million).

New Concession Proposals. Public Resources Code Section 5080.20 requires that, as part of the budget process, the Legislature review and approve any proposed new or amended concession contract that involves a total investment or estimated annual gross sales in excess of \$250,000. Traditionally, the Legislature expresses its approval by adopting supplemental report language describing each approved concession. The department has submitted two 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 1990-91 concession proposals:

1. Castaic Lake State Recreation Area (SRA)—Food, Supplies and Boat Rental. The department proposes to allow the County of Los Angeles to bid a new five-year concession contract for two existing concessions involving food, fishing supplies and boat rentals at Castaic Lake SRA. The county has operated this park unit under an agreement with the state since 1969. The department estimates that implementing the contract will require the concessionaire to invest about \$400,000 for initial costs. Based on projected first-year gross receipts of \$455,000 and a minimum rental rate of approximately 3 percent of the gross, the estimated minimum annual rent revenues are \$12,000. Under the terms of the state's operating agreement with the county, these revenues would be used by the county for continued operation and maintenance of the park, in accordance with Public Resources Code Section 5080.32.

2. Old Town San Diego State Historic Park (SHP)—Theater Opera House. The department proposes to bid a new five-year contract for the existing theater concession at Old Town San Diego SHP. The proposed contract requires a minimum acceptable rent of \$1,000 per month or 10 percent of monthly gross sales, whichever is greater. Since estimated gross sales are \$250,000 in the first year, the estimated minimum annual rental is \$25,000.

State Park Operating Agreements

We recommend that the Legislature adopt supplemental report language expressing approval of the department's proposed operating agreement.

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, its proposed new or amended operating agreements. This control section was amended in the 1989 Budget Act to exempt from legislative review any minor operating agreements or amendments that meet specified criteria.

As with proposed concession contracts, the Legislature traditionally expresses its approval of these proposals by adopting supplemental report language describing each approved operating agreement. The department has submitted one proposed operating agreement amendment for legislative review:

Point Dume State Beach (SB)—Addition of Parcel. The department proposes to amend an existing operating agreement with the County of Los Angeles for the operation and maintenance of eight state beaches. The proposed amendment would add to the agreement a 1.46-acre parcel that the department received in 1988 as part of a transfer of property from the Department of Fish and Game.

Our analysis indicates that the department's proposed amendment is reasonable. Accordingly, we recommend that the Legislature adopt supplemental report language expressing approval of this 1990-91 proposed operating agreement amendment.

Capital Outlay

The Governor's Budget proposes several appropriations in Item 3790 for capital outlay expenditures in the Department of Parks and Recreation. Please see our analysis of the department's proposed capital outlay program in the capital outlay section of this *Analysis* which is in the back portion of this document.

SANTA MONICA MOUNTAINS CONSERVANCY

Item 3810 from the General
Fund and Santa Monica
Mountains Conservancy Fund

Budget p. R 187

Requested 1990-91	\$664,000
Estimated 1989-90	698,000
Actual 1988-89	539,000
Requested decrease (excluding amount for salary increases) \$34,000 (—4.9 percent)	
Total recommended reduction	None

1990-91 FUNDING BY ITEM AND SOURCE

Item—Description	Fund	Amount
3810-001-001—Support	General	\$216,000
3810-011-941—Support	Santa Monica Mountains Con- servancy	408,000
Reimbursements	—	40,000
Total		\$664,000

SUMMARY OF MAJOR FINDINGS AND RECOMMENDATIONS

*Analysis
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1. Capital Outlay Funding. Budget does not propose any funding for capital outlay projects in 1990-91. New funds could be available in the budget year. 417

GENERAL PROGRAM STATEMENT

Chapter 1087, Statutes of 1979 (AB 1512, Berman), 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 was scheduled to sunset on July 1, 1990, but Ch 696/89 (SB 1323, Rosenthal) extended it for five years, until July 1, 1995.

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 Malibu, has 10.2 personnel-years in the current year.

ANALYSIS AND RECOMMENDATIONS

We recommend approval.

The budget requests a total of \$664,000 from the General Fund (\$216,000), the Santa Monica Mountains Conservancy Fund (\$408,000)

and reimbursements (\$40,000) for support of the conservancy in 1990-91. 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 \$34,000, or 4.9 percent, less than estimated current-year expenditures.

Table 1
Santa Monica Mountains Conservancy
Summary of Expenditures and Funding Sources
1988-89 through 1990-91
(dollars in thousands)

	<i>Expenditures</i>			<i>Percent Change From 1989-90</i>
	<i>Actual 1988-89</i>	<i>Est. 1989-90</i>	<i>Prop. 1990-91</i>	
Operating expenditures.....	\$539	\$698	\$664	-4.9%
Staff (personnel-years).....	8.0	10.2	10.2	—
Funding Sources				
<i>General Fund</i>	\$166	\$212	\$216	1.9%
<i>Santa Monica Mountains Conservancy Fund...</i>	367	398	408	2.5
<i>1988 California Wildlife, Coastal and Park Land Conservation (Bond) Fund.....</i>	—	48	—	-100.0
<i>Reimbursements.....</i>	6	40	40	—

The budget proposes a redirection of \$42,000 from operating expenses to personal services to make permanent a limited term position established in the current year with funds from the 1988 California Wildlife, Coastal and Park Land Conservation (Bond) Fund (Proposition 70). The conservancy indicates that this redirection is possible primarily because of savings in its annual operating costs resulting from lower rental and travel expenses since relocation of its main office in June 1988 from downtown Los Angeles to Malibu.

Capital Outlay

The budget proposes no capital outlay funding for the conservancy in 1990-91. The conservancy could receive funds for capital outlay in the budget year from proposed new funding sources.

The budget does not include *any* funding for capital outlay projects. The 1988 Budget Act appropriated \$24.7 million to the conservancy for capital outlay and grants projects pursuant to Proposition 70, and the conservancy expects to spend all of the carryover balance of \$15.2 million during the current year. Thus, the conservancy expects to focus on other activities, such as property management and open-space dedication, in 1990-91.

Two new sources of funding for the conservancy's capital outlay program have been proposed, however, which could be available for expenditure in the budget year. First, the voters will decide at the June 1990 statewide election on a wildlife protection initiative that proposes, among other things, to provide \$10 million annually for five years (from existing special funds and the General Fund) to the conservancy for acquisition of wildlife habitat and related open-space projects, beginning in 1990-91. Second, AB 145 (Costa), which at the time this analysis was

SANTA MONICA MOUNTAINS CONSERVANCY—Continued

prepared was pending floor action in the Assembly, is proposed to be amended to allocate \$25 million from new bond funds to the conservancy for capital outlay and acquisition grants, as part of a statewide resources bond program. If enacted, this measure could be submitted to the voters for approval at the November 1990 statewide election.

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 sells some current conservancy property holdings. Finally, the conservancy will continue to work with the National Park Service in attempts to obtain federal funds for acquisitions in the Santa Monica Mountains Zone.

SAN FRANCISCO BAY CONSERVATION AND DEVELOPMENT COMMISSION

Item 3820 from the General
Fund

Budget p. R 190

Requested 1990-91	\$1,900,000
Estimated 1989-90	1,968,000
Actual 1988-89	1,751,000
Requested decrease (excluding amount for salary increases) \$68,000 (–3.5 percent)	
Total recommended reduction	None

1990-91 FUNDING BY ITEM AND SOURCE

Item—Description	Fund	Amount
3820-001-001—Support	General	\$1,700,000
Reimbursements	—	<u>200,000</u>
Total		\$1,900,000

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 26.7 personnel-years of staff in the current year.

ANALYSIS AND RECOMMENDATIONS*We recommend approval.*

The budget proposes total expenditures of \$1,900,000 for support of the BCDC in 1990-91. This is a decrease of \$68,000, or 3.5 percent, from total estimated current-year expenditures. Proposed expenditures include \$1.7 million from the General Fund and \$200,000 in reimbursements. The reimbursements received by the BCDC are from federal Coastal Zone Management Act (CZMA) funds allocated by the Coastal Commission. The Coastal Commission is the single state agency designated to receive CZMA funds.

The \$68,000 decrease in the BCDC's 1990-91 budget results from the deletion of one-time expenditures including (1) a grant of \$72,000 from the Federal Trust Fund for the San Francisco Estuary Program and (2) \$35,000 from the federal Outer Continental Shelf Lands Act (8g) Revenue Fund for purchase of data-processing equipment. Offsetting these reduced expenditures are proposed miscellaneous increases totaling \$39,000. Our analysis indicates that the budget request for the BCDC appears reasonable and is consistent with its statutory mandates.

DEPARTMENT OF WATER RESOURCES

Item 3860 from the General
Fund and various funds

Budget p. R 192

Requested 1990-91	\$908,236,000
Estimated 1989-90	909,098,000
Actual 1988-89	670,791,000
Requested decrease (excluding amount for salary increases) \$862,000 (-0.1 percent)	
Total recommended reduction	None

1990-91 FUNDING BY ITEM AND SOURCE

Item—Description	Fund	Amount
3860-001-001—Support	General	\$32,694,000
3860-001-036—Support	Special Account for Capital Outlay, General	90,000
3860-001-140—Trinity River fish and wildlife restoration, urban streams flood manage- ment	Environmental License Plate	2,736,000
3860-001-144—Support	California Water	1,181,000
3860-001-176—Delta flood protection	Delta Flood Protection	1,404,000
3860-001-740—Water conservation	1984 Clean Water Bond	27,000
3860-001-744—Water conservation, groundwater recharge	1986 Water Conservation and Water Quality Bond	228,000
3860-001-786—Support	Wildlife, Coastal and Parkland Conservation (Bond)	245,000
3860-001-790—Water conservation	1988 Water Conservation Bond	593,000
3860-001-890—Support	Federal Trust	1,474,000

DEPARTMENT OF WATER RESOURCES—Continued

3860-001 940—Water conservation	Renewable Resources Investment	1,516,000
Water Code Section 12938—Support	California Water	1,888,000
3860-005-144—Support	California Water	(12,000,000)
Water Code Section 13861 (a)—Support	Safe Drinking Water Bond	1,776,000
Ch 954/86—Support	Renewable Resources Investment	250,000
Reimbursements	—	6,751,000
Subtotal, support		(\$52,853,000)
3860-101-001—Local assistance flood control subventions	General	13,000,000
3860-101-036—Local assistance flood control subventions	Special Account for Capital Outlay, General	32,900,000
3860-101-176—Local assistance Delta flood protection	Delta Flood Protection	10,603,000
3860-101-744—Water conservation, groundwater recharge loans	1986 Water Conservation and Water Quality Bond	16,500,000
3860-101-786—Local Assistance urban streams grants	Wildlife, Coastal and Parkland Conservation (Bond)	1,000,000
3860-101-790—Water Conservation Loans	1988 Water Conservation Bond	15,808,000
Water Code Section 13861 (a)—Safe Drinking Water loans and grants	Safe Drinking Water Bond	54,062,000
Subtotal, local assistance		(\$143,873,000)
State Water Project		\$711,510,000
Total Request		\$908,236,000

SUMMARY OF MAJOR FINDINGS AND RECOMMENDATIONS

- | | |
|---|-----|
| 1. Implementation of AB 444 and AB 1442. Recommend the department and the Department of Finance report at budget hearings on the administration's plans for (1) establishing the Environmental Water Fund and (2) implementing the Environmental Water Program and the Water Quality Program. | 425 |
| 2. Budget proposes major increase in funding for flood control subventions program in order to begin two new projects. These projects eventually will cost the state as much as \$340 million over a 10-year period. | 426 |

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

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page*

control levees within the Sacramento and San Joaquin River Valleys. The department has 2,660 personnel-years in the current year.

MAJOR ISSUES

-  Budget fails to implement the Environmental Water Fund and the Water Quality Program as required by AB 444 and AB 1442.
-  Two new flood control projects will cost \$35 million in 1990-91. These projects eventually will cost the state as much as \$340 million over a ten year period.

OVERVIEW OF THE BUDGET REQUEST

The budget proposes total expenditures of \$908.2 million in 1990-91. This is a decrease of \$862,000, or 0.1 percent, from estimated expenditures in the current year. The total includes \$711.5 million in expenditures financed with State Water Project (SWP) funds, and \$64.7 million in other continuously appropriated funds (primarily bond funds for drinking water loans and grants). Appropriations in the Budget Bill provide the remaining \$132 million. Our figure for total expenditures, however, *excludes* \$7.6 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 1988-89 through 1990-91. Table 2 shows the department's proposed budget changes, by funding source, in 1990-91.

DEPARTMENT OF WATER RESOURCES—Continued

Table 1
Department of Water Resources
Budget Summary^a
1988-89 through 1990-91
(dollars in thousands)

	Personnel-Years			Expenditures			Percent Change From 1989-90
	Actual 1988-89	Est. 1989-90	Prop. 1990-91	Actual 1988-89	Est. 1989-90	Prop. 1990-91	
<i>Programs:</i>							
Continuing formulation of the California Water Plan	199.6	195.3	193.0	\$22,323	\$69,321	\$58,095	-16.2%
Implementation of the State Water Resources Development System	1,535.8	1,521.0	1,510.0	588,277	690,730	711,709	3.0
Public safety and prevention of damage (flood control) and dam safety	250.3	247.5	243.4	57,386	144,388	133,440	-7.6
Services	206.9	210.0	205.0	2,805	4,659	4,992	7.1
Management and administration (distributed)	493.0	485.8	514.5	(34,429)	(41,951)	(45,480)	8.4
Totals	2,685.6	2,659.6	2,665.9	\$670,791	\$909,098	\$908,236	-0.1%
<i>Funding Sources:</i>							
General Fund				\$28,560	\$20,297	\$45,694	125.1%
Special Account for Capital Outlay				13,080	126	32,990	— ^b
Environmental License Plate Fund				745	971	2,736	181.8
California Water Fund				4,019	59,716	3,069	-94.9
Public Facilities Account, Natural Disaster Assistance Fund ...				182	—	—	—
Delta Flood Protection Fund				5,941	12,000	12,007	—
1984 Clean Water Bond Fund				12	4,244	27	-99.4
1986 Water Conservation and Water Quality Bond Fund				1,033	26,694	16,728	-37.3
1988 Water Conservation Bond Fund				—	15,945	16,401	2.9
Safe Drinking Water (Bond) Fund				20,910	89,414	41,521	-53.6
1988 Safe Drinking Water (Bond) Fund				—	10,957	14,317	30.7
1988 California Wildlife, Coastal and Parkland (Bond) Fund ..				244	800	1,245	55.6
Renewable Resources Investment Fund				2,092	2,086	1,766	-15.3
Federal Trust Fund				1,048	1,509	1,474	-2.3
Public Resources Account, Cigarette & Tobacco Products Sur- tax Fund				—	200	—	-100.0
Reimbursements				4,193	6,639	6,751	1.7
Subtotals, excludes state water project funds				(\$82,059)	(\$251,598)	(\$196,726)	(-21.8%)
State water project				\$588,732	\$657,500	\$711,510	8.2%

^a Excludes flood control capital outlay.^b Not a meaningful figure.

Table 2
Department of Water Resources
Proposed 1990-91 Budget Changes
(dollars in thousands)

	<i>General Fund</i>	<i>Calif. Water Fund</i>	<i>Bond Fund</i>	<i>State Water Project Funds</i>	<i>Other Special Funds</i>	<i>Federal Funds and Reim- burse- ments</i>	<i>Totals</i>
1989-90 Expenditures (Revised) ..	\$20,297	\$69,666	\$148,054	\$657,500	\$25,560	\$8,148	\$929,225
Proposed Changes:							
<i>Workload and Administrative</i>							
<i>Adjustments:</i>							
Salary and staff benefit adjust- ments.....	842	12	28	2,098	25	91	3,096
Price increase	—	7	11	964	15	40	1,037
Deletion of one-time expendi- tures.....	-2	-42,750	-58,753	-8	-11,690	—	-113,203
Miscellaneous workload changes	3	368	-358	—	556	-83	486
Pro rata adjustment.....	54	190	12	1,177	17	—	1,450
Special adjustment funding shift	24,000	-24,424	—	—	—	—	-424
Subtotals, workload and ad- ministrative adjustments	(\$24,897)	(-\$66,597)	(-\$59,060)	(\$4,231)	(-\$11,077)	(\$48)	(-\$107,558)
<i>State Water Project (SWP) Pro- gram Changes</i>	—	—	—	\$49,779	—	—	\$49,779
<i>Program Changes:</i>							
Safety of dams.....	\$500	—	—	—	—	—	\$500
Trinity River restoration.....	—	—	—	—	\$1,276	\$29	1,305
Upper Sacramento River ripar- ian habitat	—	—	—	—	750	—	750
Upper streams grants and ad- ministration	—	—	\$1,245	—	—	—	1,245
Local assistance, flood control subvention program	—	—	—	—	32,990	—	32,990
Subtotals, program changes ..	(\$500)	(—)	(\$1,245)	(—)	(\$35,016)	(\$29)	(\$36,790)
1990-91 Expenditures (Proposed).	\$45,694	\$3,069	\$90,239	\$711,510	\$49,499	\$8,225	\$908,236
Change from 1989-90:							
Amount.....	\$25,397	-\$66,597	-\$57,815	\$54,010	\$23,939	\$77	-\$20,989
Percent.....	125.1%	95.6%	-39.0%	8.2%	93.8%	0.9%	-2.3%

State Water Project Changes

State Water Project (SWP) revenues are continuously appropriated to the department. The department expects to spend \$711.5 million for construction, operation, and maintenance of the SWP in 1990-91. This is an increase of \$54 million, or 8.2 percent over estimated current-year expenditures. The major SWP funding changes proposed for 1990-91 include:

- Construction of the project operations control center, including the reconstruction of the former Pacific Gas and Electric substation building in Sacramento, and beginning Phase 2 of the Coastal Branch expansion (\$20.5 million);

DEPARTMENT OF WATER RESOURCES—Continued

- Design and construction of the Vista del Lago project and modifications of the Gorman Creek Channel project (\$6.8 million);
- Completion of design and construction of the Pearblossom, Devil Canyon, and Mojave Siphon facilities (-\$13 million);
- Increased debt service on State Water Project bonds (\$10 million).

ANALYSIS AND RECOMMENDATIONS**Use of State Water Project Revenues**

State Water Project revenues primarily come 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. Current law specifies that revenues from contractor payments to the SWP not reserved for payment of revenue bonds 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 California Water Fund (CWF) as reimbursement for any funds used from it for construction of SWP facilities (third priority); and
- Additional SWP construction (fourth priority).

The CWF is intended to serve as a kind of revolving fund for SWP construction purposes, primarily maintained by the receipt of project revenues. Funds in the CWF are continuously appropriated to the SWP, except that the Legislature may appropriate any amount of CWF monies for other purposes. The SWP is required to pay the CWF back with project revenues for any tidelands or other funds it has used.

Legislative Action Provides for Repayment of Project Debt

By the end of 1988-89, the SWP owed the state approximately \$433 million for construction of SWP facilities with CWF funds. In turn, the General Fund owed the SWP approximately \$182 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. In 1989, the Legislature took several actions to ensure that these debts are paid.

Current Year Budget Action. In the 1989 Budget Act, the Legislature appropriated a total of \$54 million from the CWF to support (1) state operations costs of the DWR (\$25.4 million) and the State Water Resources Control Board (\$7.2 million), (2) capital outlay expenditures in the DWR (\$10 million), and (3) the Delta Flood Protection Program (\$12 million). As a result, the SWP's debt to the CWF was reduced by \$54 million to a total of \$378.2 million.

Legislation Targets SWP Repayments for Specific Purposes. Subsequent to the enactment of the 1989 Budget Act, the Legislature enacted two measures that target SWP repayments for specific purposes.

Chapter 716, Statutes of 1989 (AB 1442, Baker) canceled the accumulated General Fund debt to the SWP (\$182 million) and reduced the SWP's debt to the CWF by the same amount. In addition AB 1442:

- Provides for an annual transfer of \$12 million (through 1998-99) from the SWP via the CWF to the Delta Flood Protection Fund.
- Offsets against the SWP debt, through 1993-94, future Davis-Dolwig obligations of approximately \$7.5 million annually.
- Creates the Environmental Water Fund (EWF) and provides for the transfer, by 1998-99, of \$65 million to the fund from SWP revenues for support of programs established by Ch 715/89 (AB 444, Isenberg).

AB 444 established (1) the Environmental Water Program (EWP) primarily to support grants and projects for the protection of the Mono Lake Basin and (2) the Water Quality Program (WQP), aimed at reducing agricultural drainage and providing conserved water to the SWP. AB 444 provides annual allocations to the EWP through 1998-99, and to the WQP through 1994-95.

Table 3 shows the effect of the Legislature's actions on the SWP debt to the California Water Fund. As the table shows, under the plan established by AB 1442, the project will repay or cancel \$433 million in debt to the CWF by the end of 1998-99.

Table 3
Department of Water Resources
State Water Project Debt Repayment
to the California Water Fund
1989-90 to 1998-99
(in millions)

1989-90 Debt Cancellation:

Budget Act Appropriations from California Water Fund.....	\$54.0
Cancel General Fund debt for:	
Recreation and Habitat Improvements	172.3
Suisun Marsh Agreement	9.5

Future Program Expenditures and Debt Cancellation:

Cancel average annual General Fund debt of \$7.5 million for recreation and habitat improvements through 1993-94	30.0
Transfer funds for Delta levees program through 1998-99	102.0

Environmental Water Fund:

Fund Environmental Water Program (1991-92 through 1998-99)	60.0
Fund Water Quality Program (1990-91 through 1994-95)	5.0
Total Expenditures and Cancellations	\$432.8

Budget Contains No Proposal for Implementing AB 444 and AB 1442

We recommend that the department and the Department of Finance report at budget hearings on why the budget does not (1) establish the Environmental Water Fund or (2) provide funding for the Water Quality Program as specified in AB 444 and AB 1442.

AB 1442 creates the EWF and states legislative intent that \$1 million be transferred to the fund from project payments to the CWF in 1990-91. AB

DEPARTMENT OF WATER RESOURCES—Continued

444 states the intent of the Legislature to appropriate these funds to the DWR in the budget year for support of the new Water Quality Program. Under the WQP these funds would be used to study methods for the treatment, storage and disposal of agricultural drainage water. In addition, the acts establish the Environmental Water Program beginning in 1991-92 and state legislative intent that the EWP receive \$7 million in that year. The EWP funds primarily are to be used for support of grants and projects for the protection of the Mono Lake Basin.

The Governor's Budget does not implement the Environmental Water Fund. As a result, there is no appropriation proposed for support of the WQP in the budget year. At the time this analysis was written, the department was unable to provide us with any information as to why the budget fails to fund the program established by the Legislature in 1989. Therefore, we recommend that the department and the Department of Finance report at budget hearings concerning the administration's intentions for implementing (1) the EWF and the WQP in 1990-91 and (2) the Environmental Water Program beginning in 1991-92.

Budget Proposes Major Increase in Flood Control Subvention Program

The budget proposes \$35 million from SAFCO to fund the state's share of the first-year costs of two flood control projects. These projects eventually will cost the state as much as \$340 million.

The budget proposes \$45.9 million to provide the state's share of local assistance for flood control projects in 1990-91. This is an increase of \$32.9 million, or 253 percent, from current-year expenditures for flood control subventions. The increase is proposed to be funded entirely from the Special Account for Capital Outlay (SAFCO) and mainly reflects two new federal flood control projects scheduled to start in the budget year.

The Santa Ana River Project. The budget proposes \$32 million for the 1990-91 state share of nonfederal costs for the Santa Ana River Project. This project will respond to a severe flood threat that exists within heavily urbanized Orange County, below the Prado Reservoir. Budget year activities related to the project will include (1) engineering for marsh restoration of the Lower Santa Ana River and (2) initial construction of the access road to the proposed Seven Oaks Dam.

The U.S. Army Corps of Engineers (COE) currently estimates total costs of the project at \$1.4 billion over a 10-year period. The COE estimates the nonfederal portion of the cost to be \$400 million to \$450 million (or between 29 percent and 33 percent of total project costs). Currently the state pays 70 percent of all nonfederal project costs, while the local flood control agency pays 30 percent of the nonfederal costs. Consequently, based on current COE estimates the state's share of the cost will total approximately \$280 million to \$315 million over the anticipated 10-year construction period. The department anticipates a state payment schedule for the project of approximately \$30 million annually for 10 years. The total project will include: (1) construction of Seven Oaks Dam; (2) flood plain management between Seven Oaks Dam

and Prado Reservoir; (3) raising the Mill Creek Levee near Redlands; (3) raising Prado Dam 30 feet and the acquisition line 10 feet; (4) acquisition of the Santa Canyon flood plain; and (5) channeling of the lower Santa Ana River.

The Guadalupe River Project. The budget proposes \$3 million for support of a project to increase flood control in downtown San Jose. This project will take three to four years to complete. The COE expects to begin construction on the first phase of the project from Interstate 880 to Hedding Street and on the second phase from Hedding Street to the Southern Pacific Railroad tracks, during the summer of 1990.

Based on COE estimates of total project costs, the state's share of these costs likely will total \$24.5 million. Currently the DWR plans payments totaling \$16.8 million through 1993-94 (including \$3 million proposed in the budget for 1990-91). As a result, it appears that the state may need to increase planned future-year payments by as much as \$7.7 million.

In addition to the two new large projects discussed above, the COE proposes to continue work on several ongoing flood control projects which include (1) the San Luis Rey River in San Diego and (2) Wildcat and San Pablo Creeks in Contra Costa County. The budget proposes \$10 million for these ongoing flood control projects.

Our analysis indicates that the projects proposed for the 1990-91 subventions program are reasonable and are consistent with federal funding anticipated by the COE in the budget year.

Capital Outlay

The Governor's Budget proposes appropriations totaling \$7.3 million beginning with Item 3860-301-036 for capital outlay expenditures in the Department of Water Resources. Please see our analysis of that item in the capital outlay section of the *Analysis* which is in the back portion of this document.

STATE WATER RESOURCES CONTROL BOARD

Item 3940 from the General

Fund and various funds

Budget p. R 229

Requested 1990-91	\$377,046,000
Estimated 1989-90	393,194,000
Actual 1988-89	124,094,000
Requested decrease (excluding amount for salary increases) \$16,148,000 (-4.1 percent)	
Recommendation pending	\$12,288,000

STATE WATER RESOURCES CONTROL BOARD—Continued
1990-91 FUNDING BY ITEM AND SOURCE

Item—Description	Fund	Amount
Budget Appropriations:		
3940-001-001—Support	General	\$39,653,000
3940-001-014—Hazardous waste site closure	Hazardous Waste Control Account, General	544,000
3940-001-193—Support	Waste Discharge Permit	1,952,000
3940-001-225—Aboveground tank program	Environmental Protection Trust	2,126,000
3940-001-235—Santa Monica Bay plan development	Public Resources Account, Cigarette and Tobacco Products Surtax	764,000
3940-001-436—Licensing underground tank testers	Underground Storage Tank Tester Account, General	272,000
3940-001-475—Underground tank permits	Underground Tank Storage	1,163,000
3940-001-482—Toxic pits regulation	Surface Impoundment Assessment Account, General	3,033,000
3940-001-740—Support	1984 State Clean Water Bond	522,000
3940-001-744—Support	1986 Water Conservation and Water Quality Bond	283,000
3940-001-764—Support	1988 Clean Water and Water Reclamation	626,000
3940-001-890—Support	Federal Trust	31,447,000
3940-101-439—Local assistance, underground tank pilot program	Underground Storage Tank Clean-up	4,327,000
3940-101-744—Local assistance, agricultural drainage loans	1986 Water Conservation and Water Quality Bond	24,000,000
3940-101-890—Local assistance, wastewater treatment loans	Federal Trust	175,363,000
Subtotal (Budget Bill appropriations)		(\$286,075,000)
Statutory Appropriations:		
Chapter 1241/89—Groundwater cleanup oversight	General	\$68,000
Chapter 269/89—Bay Protection and Toxic Cleanup	Hazardous Waste Control Account, General	2,500,000
Chapter 1442/89—Support	Underground Storage Tank Clean-up	6,899,000
Water Code Sections 13401, 13441, 13442, and 13443—Local assistance	State Water Quality Control	600,000
Water Code Sections 13955, 13970, and 13985—Support	State Clean Water Bond	9,494,000
—Local assistance		13,000,000
Water Code Section 13999, wastewater treatment grants and loans	1984 State Clean Water Bond	35,000,000
Water Code Section 13999.5—Local assistance	1988 Clean Water and Water Reclamation	20,000,000
Subtotal (statutory appropriations)		(\$87,561,000)
Reimbursements	—	3,410,000
Total		\$377,046,000

SUMMARY OF MAJOR FINDINGS AND RECOMMENDATIONS

1. Underground Tank Cleanup Program. Withhold recommendation on approximately \$12.3 million (\$6,000,000 in federal funds and \$6,288,000 in Underground Storage Tank Cleanup

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Fund monies) requested for the continuation of the underground tank pilot program, pending review of the evaluation of the pilot program to be submitted to the Legislature by the board by March 1, 1990.

2. ***Appropriation Needed. Add Item 3940-001-439 in the amount of \$4,938,000.*** Recommend addition of appropriation so that these funds can be expended as proposed in the Governor's Budget for implementation of a program to regulate and cleanup underground storage tanks. 434
3. **Bay Protection and Toxic Cleanup Plan.** Withhold recommendation on the budget's proposed expenditure plan for implementation of Ch 269/89 (SB 475, Torres) pending receipt and review of information justifying the proposal. 435
4. **Budget Display.** Recommend the adoption of supplemental report language directing the Department of Finance to display water quality program expenditures in specified categories in future Governor's Budgets in order to improve legislative oversight. 436

GENERAL PROGRAM STATEMENT


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

The board carries out its water quality 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 aboveground and underground tanks do not contaminate the waters of the state. 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 and review of permits and licenses to applicants who desire to appropriate water from the state's 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 1,079 personnel-years in the current year, of which 557.7 personnel-years are allocated to the regional boards and 521.3 personnel-years are allocated to the state board.

STATE WATER RESOURCES CONTROL BOARD—Continued**MAJOR ISSUES**

 The budget does not include the information necessary to evaluate two major expenditure proposals totaling \$14.8 million in 1990-91.

- The budget proposes to continue a program to clean up leaking underground storage tanks (\$12.3 million). A review and evaluation of this program is due to the Legislature in March 1990.
- No plan exists for the expenditure of funds appropriated for the Bay Protection and Toxic Cleanup Program in the current and budget years (\$2.5 million each year).

OVERVIEW OF THE BUDGET REQUEST

The budget proposes total expenditures of \$377 million from all sources for the State Water Resources Control Board (SWRCB) in 1990-91. This is a decrease of \$16.1 million, or 4.1 percent, from estimated current-year expenditures. The board's proposed budget would be financed with \$79 million in state funds requiring Budget Bill appropriation, \$207 million in federal funds, \$3 million in reimbursements, and \$88 million in direct appropriations. Of the amount requested, a total of \$273 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 leaking underground tanks.

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

Table 1
State Water Resources Control Board
Budget Summary
1988-89 through 1990-91
(dollars in thousands)

Program:	Personnel-Years			Expenditures			Percent Change From 1989-90
	Actual 1988-89	Est. 1989-90	Prop. 1990-91	Actual 1988-89	Est. 1989-90	Prop. 1990-91	
Water Quality Regulation:							
Underground tanks	71.4	101.9	110.9	\$16,115	\$14,917	\$24,354	63.3%
Toxic pits	19.4	39.3	39.3	1,398	2,894	3,033	4.8
Contaminated drinking water well investigations	35.4	41.9	41.9	1,677	2,874	2,988	4.0
Resource Conservation and Recovery Act	17.2	25.1	25.1	1,320	1,817	1,890	4.0
Other regulatory activities	363.5	368.2	429.5	29,853	38,622	38,910	0.7
Planning	60.4	68.4	73.9	6,239	18,502	19,966	7.9
Facility development assistance	103.5	114.3	110.5	55,768	301,604	273,504	-9.3
Research and technical assistance	112.4	93.0	93.0	3,998	3,615	3,674	1.6
Subtotals, water quality	(783.2)	(852.1)	(924.1)	(\$116,368)	(\$384,845)	(\$368,319)	(-4.3%)
Water Rights:							
Water appropriation	50.3	58.9	58.9	\$3,926	\$4,307	\$4,366	1.4%
Water management/enforcement	30.2	27.0	24.0	2,777	2,432	2,468	1.5
Determination of existing rights	1.3	4.8	4.8	105	546	554	1.5
Technical assistance	20.1	17.8	21.4	918	1,064	1,339	25.8
Subtotals, water rights	(101.9)	(108.5)	(109.1)	(\$7,726)	(\$8,349)	(\$8,727)	(4.5%)
Administration (distributed to other programs)	120.7	118.4	120.0	\$6,895	\$8,925	\$9,163	2.7%
Totals	1,005.8	1,079.0	1,153.2	\$124,094	\$393,194	\$377,046	-4.1%
Funding Sources							
General Fund				\$37,594	\$32,093	\$39,721	23.8%
Hazardous Waste Control Account				481	3,020	3,044	0.8
Environmental License Plate Fund				—	150	—	-100.0
Environmental Protection Trust Fund				—	—	2,126	— ^a
Waste Discharge Permit Fund				—	—	1,952	— ^a
California Water Fund				—	7,151	—	-100.0
Cigarette and Tobacco Products Surtax Fund				—	237	764	222.4
Underground Storage Tank Tester Account				132	264	272	3.0
Underground Storage Tank Cleanup Fund				—	306	11,226	3,568.6
Hazardous Substance Control Account				—	3,900	—	-100.0
Underground Tank Storage Fund				946	1,137	1,163	2.3
Surface Impoundment Assessment Account				1,398	2,894	3,033	4.8
State Clean Water Bond Fund				14,584	29,310	22,494	-23.3
State Water Quality Control Fund				151	600	600	—
1984 State Clean Water Bond Fund				32,944	50,511	35,522	-29.7
1986 Water Conservation and Water Quality Bond Fund				6,426	25,277	24,283	-3.9
1988 Clean Water and Water Reclamation Fund				—	25,414	20,626	-18.8
Federal Trust Fund				18,652	202,746	206,810	2.0
Renewable Resources Investment Fund				593	225	—	-100.0
Reimbursements				10,193	7,959	3,410	-57.2

^a Not a meaningful figure

STATE WATER RESOURCES CONTROL BOARD—Continued**Proposed Budget Changes for 1990-91**

Table 2 summarizes, by funding source, the changes proposed in the board's budget for 1990-91. As shown in Table 2, the proposed \$16 million net decrease in expenditures includes a decrease of \$45 million for elimination of limited-term positions (-\$17.6 million) and for adjustments to continuously appropriated bond funds (-\$27.8 million). These decreases are offset by program changes and other adjustments totaling \$29 million. Significant program changes include:

- An increase of \$12 million to continue for a fourth year a program to fund local oversight of the cleanup of leaking underground storage tanks. The budget proposes \$6 million each from federal funds and from the Underground Storage Tank Cleanup Fund (USTCF).
- An increase of \$4.9 million for implementation of Ch 1442/89 (SB 299, Keene)—including the Underground Storage Tank Maintenance Fee Law—which provides for the regulation and cleanup of underground petroleum storage tanks. Funding is provided from fee revenue deposited in the USTCF.
- A continuation of \$2.5 million from the Hazardous Waste Control Account for the Bay Protection and Toxic Cleanup Program established in accordance with Ch 269/89 (SB 475, Torres).
- An increase of \$2.1 million from fee revenue deposited in the Environmental Protection Trust Fund for implementation of an aboveground petroleum storage tank (APT) program as required by Ch 1383/89 (SB 1050, Torres). This chapter requires the inspection and regulation of, and imposes fees on, APT facilities.
- An increase of \$2.0 million for continuation and expansion of local agency oversight of the cleanup of leaking underground storage tanks for which the responsible party cannot be identified or is insolvent. The budget proposes to continue the current oversight of three such "orphan" sites and to add another three sites to the program. Funding for the cleanup of these orphan sites comes from the federal Trust Fund for Leaking Underground Storage Tanks.

Table 2
State Water Resources Control Board
Proposed 1990-91 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>
1989-90 Expenditures (Revised)	\$32,093	\$150,396	\$202,746	\$7,959	\$393,194
<i>Baseline adjustments:</i>					
Delete one-time costs					
Phaseout of limited term positions	-190	-7,090	-6,212	-4,082	-17,574
Water rights program funding transfer ^a	7,000	-7,151	—	—	-151
Other one-time costs	88	—	—	16	104
Full-year costs of 1989-90 salary and benefit increases	662	230	399	59	1,350
Operating expense adjustment	—	96	190	37	323
Bond adjustments	—	-27,800	—	—	-27,800
Miscellaneous adjustments	—	98	-68	—	30
Subtotals, baseline adjustments	(\$7,560)	(-\$41,617)	(-\$5,691)	(-\$3,970)	(-\$43,718)
<i>Program changes:</i>					
Continue local oversight program for leaking underground storage tank cleanups	—	\$6,288	\$6,000	—	\$12,288
Implementation of Ch 1442/89—Underground Storage Tank Cleanup Fund	—	4,938	—	—	4,938
Implementation of Ch 269/89—Bay Protection and Toxic Cleanup Program	—	2,500	—	—	2,500
Implementation of Ch 1383/89—aboveground tank program	—	2,126	—	—	2,126
Implementation of cleanup of leaking underground tank orphan sites	—	—	2,000	—	2,000
Santa Monica Bay restoration program	—	260	1,079	—	1,339
Augment enforcement in solid waste landfill program (Ch 1095/89)	—	—	—	\$1,000	1,000
Implement San Fernando Valley source investigation program	—	—	813	—	813
Other program changes	\$68	2,214	-137	-1,579	566
Subtotals, program changes	(\$68)	(\$18,326)	(\$9,755)	(-\$579)	(\$27,570)
1990-91 Expenditures (Proposed)	\$39,721	\$127,105	\$206,810	\$3,410	\$377,046
Changes from 1989-90:					
Amount	\$7,628	-\$23,291	\$4,064	-\$4,549	-\$16,148
Percent	23.8%	-15.5%	2.0%	-57.2%	-4.1%

^a This program was funded on a one-time basis in the current year from the California Water Fund. Governor's Budget proposes to return program funding to the General Fund in 1990-91.

Underground Tank Pilot Program

We withhold recommendation on approximately \$12.3 million (\$6 million in federal funds and \$6,288,000 from the Underground Storage Tank Cleanup Fund) requested for continuation of the underground tank program, pending review of the evaluation of the pilot program to be submitted to the Legislature by March 1, 1990. (Withhold recommendation on \$6,288,000 in Underground Storage Tank Cleanup

STATE WATER RESOURCES CONTROL BOARD—Continued

Fund (USTCF) prior-year balances available, \$1,119,000 from Item 3940-001-890, and \$4,881,000 from Item 3940-101-890.)

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 \$13.8 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 required 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 board's report on the pilot program must include the numbers of cleanups undertaken by local agencies and the average administrative costs per site of all agencies involved at that site compared to the average administrative costs of cleanups undertaken directly by regional water boards. Conversations with the board's staff indicate that the report also is likely to include cost data, expenditure information, and cost recovery data.

In 1989, the Legislature extended the term of the pilot program by an additional year, pending receipt of the evaluation due in March 1990. The 1989 Budget Act appropriated \$8 million in federal and state funds to continue the pilot program contracts. Budget Act language requires the fiscal subcommittees to hold hearings on the board's evaluation of the pilot program. The Act also prohibits the board from allocating certain local assistance funds contained in the 1989 Budget Act until these hearings have been held.

The budget requests approximately \$12.3 million from two sources to continue the program for a fourth year. First, the budget anticipates that \$6 million in federal funds will be available for support of the program in 1990-91. Second, the budget proposes to appropriate \$6,288,000 from the Underground Storage Tank Cleanup Fund created by Ch 1442/89 (SB 299, Keene) which receives revenue from underground storage tank permit fees. Because the information contained in the required program evaluation due on March 1 will be useful in analyzing the board's 1990-91 budget request, we withhold recommendation on the board's proposal for continuing the pilot program until we have received and reviewed the report.

Appropriation Needed for Governor's Expenditure Plan

We recommend that the Legislature add Item 3940-001-439 to the Budget Bill in the amount of \$4,938,000, so that these funds may be expended as proposed in the Governor's Budget.

The budget proposes expenditures from the USTCF in 1990-91 of \$6,899,000 in fee revenues carried forward from the current year. The proposed expenditures include \$4,938,000 for implementation of a program to regulate and clean up underground petroleum storage tanks as required by Chapter 1442, and \$1,961,000 for continuation of the underground tank cleanup program (addressed above in this *Analysis*).

Chapter 1442 authorized a loan of \$7 million from the Motor Vehicle Account to the USTCF, and appropriated the loan monies for support of activities related to regulation and cleanup of underground tanks. The board proposes to repay the loan from the MVA in the current year and use new fee revenues resulting from Chapter 1442 to support its underground tank program in the budget year. The budget assumes that the board can expend these funds without further authorization from the Legislature because the total amount proposed for expenditure does not exceed the total amount originally authorized under the loan. Our review of Chapter 1442, however, indicates that the act only *authorized the expenditure of the loan, not the fee revenues*. As a result the fee revenues *cannot* be expended until appropriated by the Legislature. We recommend, therefore, that the Legislature amend the Budget Bill to reflect an appropriation of \$4,938,000 in Item 3940-001-439 in order to make these funds available to the board for expenditure.

Bay Protection and Toxic Cleanup Program

We withhold recommendation on the budget's proposed expenditure plan for the Bay Protection and Toxic Cleanup Program pending receipt and review of information justifying the expenditure proposal.

Chapter 269, Statutes of 1989 (SB 475, Torres), among other provisions, provided an appropriation of \$5 million from the Hazardous Waste Control Account (HWCA) for the establishment of the Bay Protection and Toxic Cleanup Program which is intended to be a comprehensive program to assess and protect the beneficial uses of the state's bay and estuarine waters. Chapter 269 requires that the program include: the development of numerical water quality objectives and sediment quality thresholds; the identification, ranking and cleanup of toxic "hot spots"; and the development of expenditure plans including cost and cost recovery estimates. Chapter 269 includes several reporting deadlines, the latest of which is January 1, 1994.

The Governor's Budget indicates that the board proposes to implement this program with expenditures of \$2.5 million in the current year and a similar amount in the budget year. However, as of the date this analysis was written, there was no detailed information available on the board's proposal. Without this information we are unable to determine whether the proposed level of expenditures is sufficient to allow the board to meet the reporting deadlines required under the program. As a result, we withhold recommendation concerning the board's expenditure plan for \$5 million appropriated by Chapter 269, pending review of detailed information concerning the administration's implementation plan.

STATE WATER RESOURCES CONTROL BOARD—Continued**Legislature Needs Information for Oversight of Water Quality Program Budget.**

We recommend that the Legislature adopt supplemental report language directing the Department of Finance to display water quality program expenditures for specified categories beginning in the 1991-92 Governor's Budget.

The Governor's Budget indicates that the board plans to spend approximately \$95 million in 1990-91 for activities related to water quality (other than financial assistance for wastewater treatment facilities.) The funds are budgeted in three program elements—Regulation (\$71 million), Planning (\$20 million), and Research and Technical Assistance (\$3.7 million). Included in the Regulation element are, among other things, funding and staff for: issuing waste discharge permits; regulating and overseeing the cleanup of aboveground and underground tanks; investigating contaminated well sites; regulating toxic pits; and enforcement of discharge requirements at solid waste landfill sites.

The Legislature required the Department of Finance (DOF) to display details on the distribution of resources within the Regulation program element in the 1988-89 Governor's Budget because the information needed by the Legislature to oversee the board's implementation of laws to protect water quality and prevent toxic contamination was not displayed. As a result, the 1988-89 budget provided expenditure detail for activities within the regulation program element. The DOF continued this display in the 1989-90 Governor's Budget.

The 1990-91 Governor's Budget discontinues the display of expenditure detail for the regulation program element even though these programs continue to be of concern to the Legislature. Without this information, the budget does not require the same degree of accountability for expenditures related to *specific* regulatory activities. In addition, the Legislature cannot make reliable year-to-year comparisons of program expenditures. Accordingly, we recommend that the Legislature adopt the following supplemental report language directing the Department of Finance to display specified water quality regulation program activities beginning in the 1991-92 budget:

The Department of Finance, beginning in the 1991-92 Governor's Budget, shall display the State Water Resources Control Board's expenditures and allocations of personnel-years—for the past, current and budget years—in the following categories: permitting; aboveground tanks; underground tanks; well investigations; toxic pits; solid waste landfill enforcement; Resource Conservation and Recovery Act; spills, leaks, investigations and cleanups; bays and estuaries/toxic hotspot program; and, other regulatory activities.
