

MAJOR ISSUES

Resources

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- ☑ **Governor's Resources Initiatives**
Lack Defined Objectives
 - The Governor's coastal, watershed, and land acquisition initiatives need (1) better defined objectives and measurable goals, (2) coordination with existing state programs and policies, (3) identification of long-term costs and funding sources, and (4) greater legislative oversight over policy direction. (See page B-13.)

 - ☑ **Expansion of NCCP Program Needs**
Legislative Policy Review
 - We recommend that increased funding for the Natural Community Conservation Planning (NCCP) Program be denied because the policy of the state's funding land acquisition for the program ought to first be determined statutorily by the Legislature. (See page B-50.)

 - ☑ **River Parkway Program Lacks Goals and Criteria**
To Prioritize Projects
 - Although the budget proposes to spend *all* Proposition 204 funds available for the River Parkway Program (\$27 million) in 1997-98, the program's goals are not yet defined and criteria to prioritize funding of the projects are lacking. (See page B-23.)

 - ☑ **Proposed Fire-Related Reductions**
Are "Penny-Wise, Pound Foolish"
 - Proposed reductions in funding for fire protection and vegetation management by the California Department of Forestry and Fire Protection are likely to result in increased General
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Fund expenditures for emergency fire suppression and inmate custody. (See page B-46.)



Waste Board Makes Late Decisions

- Historically, the Integrated Waste Management Board waits until after the budget is enacted to make decisions about tire recycling program priorities, thereby reducing legislative oversight and delaying program implementation. With no proposal for 1997-98 allocation of grants and contracts, we recommend the proposed increase of \$5.4 million be denied. (See page B-79.)



Fee Changes Should Be Considered For Hazardous Material Cleanup


- The Legislature should (1) reinstate a fee on railroad and trucking companies that carry hazardous materials in order to fund the "RAPID" emergency response program (see page B-85), and (2) consider using broad-based fees to supplement the General Fund to meet increasing funding requirements for direct site cleanup at "orphan" hazardous waste sites (see page B-87).
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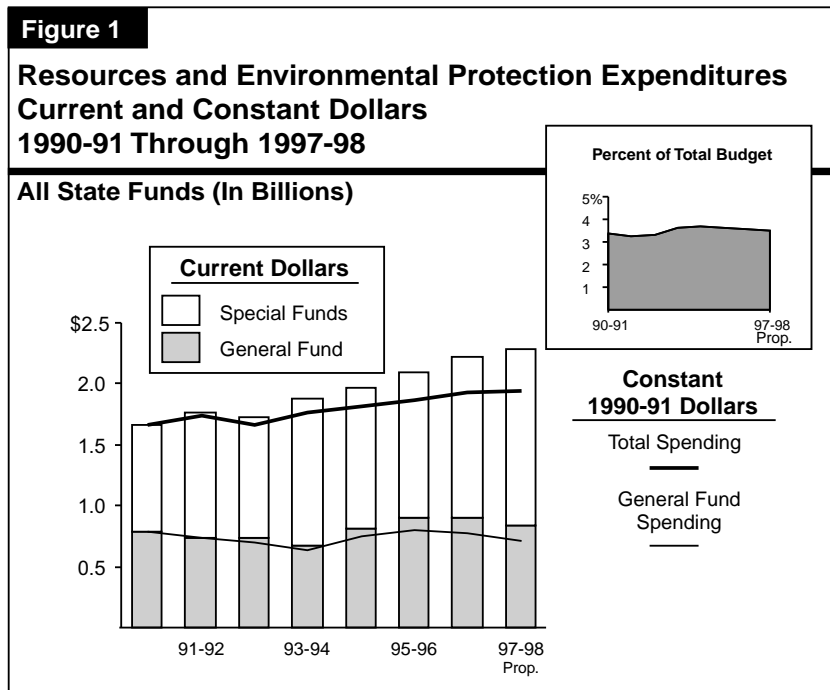
OVERVIEW

Resources

The budget proposes a slightly higher level of state expenditure for resources and environmental protection programs in 1997-98 compared to the estimated current-year level. No one factor accounts for the increase which will come from various special funds. General Fund support of resources and environmental protection programs will drop slightly in 1997-98.

Expenditures for resources and environmental protection programs from the General Fund and various special funds are proposed to total \$2.3 billion in 1997-98, which is 3.5 percent of all state-funded expenditures proposed for 1997-98. This level is an increase of \$56.7 million, or 2.5 percent, above estimated expenditures for the current year. About 63 percent (\$1.4 billion) of state support for these programs will come from special funds, including the Motor Vehicle Account, Environmental License Plate Fund, bond funds, funds generated by beverage container recycling fees, and an "insurance fund" for the cleanup of leaking underground storage tanks. The General Fund supports the remaining 37 percent of these expenditures.

Figure 1 (see next page) shows that state expenditures for resources and environmental protection programs increased by approximately \$618.5 million since 1990-91, representing an average annual increase of approximately 4.6 percent. This increase primarily reflects the establishment of various programs to address environmental problems such as leaking underground tanks, hazardous waste sites, and solid waste generation. When adjusted for inflation, these expenditures increased at an average annual rate of 2.2 percent. General Fund expenditures increased at an average annual rate of about 0.9 percent over this period. When adjusted for inflation, these expenditures decreased at an average rate of 1.4 percent per year.



SPENDING BY MAJOR PROGRAM

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

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

Spending for Resources Programs. Figure 2 shows that the General Fund provides a relatively small proportion of total support for resources programs except in the case of the California Department of Forestry and Fire Protection (CDFFP) and the Department of Parks and Recreation (DPR). For 1997-98, the budget proposes \$298.8 million (65 percent) of CDFFP’s support and capital outlay expenditures from the General Fund. For DPR, the General Fund will constitute about 30 percent of the department’s expenditures in 1997-98.

Figure 2 also shows that the budget proposes a significant reduction in the 1997-98 expenditures for CDFFP in 1997-98. The reduction reflects primarily a base level of funding for emergency firefighting of \$20 million

Figure 2					
Resources Budget Summary					
Selected Funding Sources					
1995-96 Through 1997-98					
(Dollars in Millions)					
Department	Actual 1995-96	Estimated 1996-97	Proposed 1997-98	Change From 1996-97	
				Amount	Percent
Conservation					
General Fund	\$14.5	\$15.1	\$16.3	\$1.2	7.9%
Recycling funds	343.2	379.3	381.0	1.7	0.4
Other funds	14.2	16.2	19.6	3.4	30.0
Totals	\$371.9	\$410.6	\$416.9	\$6.3	1.5%
Forestry and Fire Protection					
General Fund	\$321.8	\$387.4	\$298.8	-\$88.6	-22.9%
Forest Resources Improvement Fund	14.9	14.7	14.5	-0.2	-1.4
Environmental License Plate Fund	4.0	4.0	0.8	-3.2	-80.0
Other funds	102.5	139.0	142.9	3.9	2.8
Totals	\$443.2	\$545.1	\$457.0	-\$88.1	-16.2%
Fish and Game					
General Fund	\$3.1	\$3.1	\$5.1	\$2.0	64.5%
Fish and Game Preservation Fund	83.4	77.0	85.4	8.4	10.9
Environmental License Plate Fund	9.9	11.3	10.7	-0.6	-5.3
Other funds	70.1	77.1	92.2	15.1	19.6
Totals	\$166.5	\$168.5	\$193.4	\$24.9	14.8%
Parks and Recreation					
General Fund	\$49.8	\$73.0	\$72.0	-\$1.0	-1.4%
State Parks and Recreation Fund	90.8	81.7	81.4	-0.3	-0.4
Park bond funds	21.6	25.7	7.1	-18.6	-72.4
Other funds	57.6	86.5	81.6	-4.9	-5.7
Totals	\$219.8	\$266.9	\$242.1	-\$24.8	-9.3%
Water Resources					
General Fund	\$19.8	\$29.1	\$27.2	-\$1.9	-6.5%
State Water Project funds	798.2	699.5	633.1	-66.4	-9.5
Delta Flood Protection	5.7	9.1	15.4	6.3	69.2
Other funds	34.8	172.8	184.3	11.5	6.6
Totals	\$858.5	\$910.5	\$860.0	-\$50.5	-5.5%

Figure 3					
Environmental Protection Budget Summary					
Selected Funding Sources					
1995-96 Through 1997-98					
(Dollars in Millions)					
Department/Board	Actual 1995-96	Estimated 1996-97	Proposed 1997-98	Change From 1996-97	
				Amount	Percent
Air Resources					
Motor Vehicle Account	\$74.5	\$74.4	\$74.3	-\$0.1	-0.1%
Other funds	35.1	35.9	35.2	-0.7	-1.9
Totals	\$109.6	\$110.3	\$109.5	-\$0.8	-0.7%
Waste Management					
Integrated Waste Management Account	\$33.6	\$33.4	\$31.4	-\$2.0	-6.0%
Used Oil Recycling Fund	24.8	24.1	23.9	-0.2	-0.8
Tire Recycling Management Fund	3.7	5.5	8.8	3.3	60.0
Other funds	6.9	18.1	12.9	-5.2	-28.7
Totals	\$69.0	\$81.1	\$77.0	-\$4.1	-5.1%
Pesticide Regulation					
General Fund	\$10.6	\$10.9	\$10.9	—	—
Pesticide Regulation Fund	30.8	33.6	30.6	-\$3.0	-8.9%
Other funds	5.0	6.5	5.6	-0.9	-13.8
Totals	\$46.4	\$51.0	\$47.1	-\$3.9	-7.6%
Water Resources Control					
General Fund	\$28.2	\$28.6	\$36.7	\$8.1	28.3%
Underground Storage Tank Cleanup Fund	140.8	154.1	244.0	89.9	58.3
Waste Discharge Permit Fund	16.7	14.1	12.1	-2.0	-14.2
Bond funds	32.0	57.5	90.3	32.8	57.0
Other funds	183.4	58.8	51.4	-7.4	-12.6
Totals	\$401.4	\$313.1	\$434.5	\$121.4	38.8%
Toxic Substances Control					
General Fund	\$2.6	\$15.7	\$41.6	\$25.9	165.0%
Hazardous Waste Control Account	57.7	54.4	51.1	-3.3	-6.1
Other funds	58.0	66.5	50.1	-16.4	-24.7
Totals	\$118.3	\$136.6	\$142.8	\$6.2	4.5%

in the budget year rather than anticipated expenditures. As actual emergency firefighting expenditures exceed that base amount, additional funds will be provided through subsequent deficiency appropriations. The budget also proposes reductions in DPR's 1997-98 expenditures by 9.3 percent and reductions of 5.5 percent in the Department of Water Resources (DWR) expenditures. For DPR, the reductions are mainly in park development due to the depletion of park bond funds. In the case of DWR, reductions are due to an anticipated decline in expenditures for construction and operation of the State Water Project.

For the Department of Fish and Game (DFG), the budget proposes higher expenditures in 1997-98. The increased expenditures will be primarily from the Fish and Game Preservation Fund and bond funds authorized by Proposition 204, passed by voters in November 1996.

In addition to the major programs shown in Figure 2, the budget proposes expenditures by other resources programs totaling \$269.7 million, an increase of \$50.2 million (23 percent) over current-year estimated expenditures. These programs include various land conservancies, commissions, the Department of Boating and Waterways, and the California Conservation Corps. Specifically, the budget proposes significant increases in the State Coastal Conservancy (\$12.8 million, or 61 percent over current-year estimated expenditures); the Department of Boating and Waterways (\$19.6 million, or 41 percent); and the California Conservation Corps (\$11.4 million, or 18 percent).

Spending for Environmental Protection Programs. As Figure 3 shows, the budget proposes significant increases in the State Water Resources Control Board (SWRCB) expenditures in 1997-98. Specifically, the budget proposes increases in payments to tank owners for underground storage tank cleanup and in local loans and grants for water quality and treatment projects funded from Proposition 204 bonds. The budget also proposes to increase the SWRCB's General Fund support by \$8.1 million.

Similarly, the budget proposes General Fund support for the Department of Toxic Substances Control (DTSC) to increase significantly (by \$41.6 million), to 29 percent of the department's total 1997-98 expenditures. The increase is due to costs to clean up two hazardous disposal sites (Stringfellow and Casmalia) where the state has been found responsible for the contamination.

For the Department of Pesticide Regulation, the budget proposes to keep General Fund support for the department at \$10.9 million, the same level as in the current year. This is about 23 percent of total support of the department.

MAJOR BUDGET CHANGES

Figures 4 and 5 (see page 12) present the major budget changes in resources and environmental protection programs, respectively.

As Figure 4 shows, the budget proposes various increases in land stewardship programs, including habitat conservation planning and the Natural Community Conservation Planning program under DFG. The budget also proposes significant increases in funding for fish and wildlife habitat preservation and restoration. Specifically, the budget proposes \$13.4 million for salmon restoration by DFG. In addition, \$24 million in Proposition 204 bond funds is proposed for fish and wildlife habitat restoration by DWR.

For DWR, the budget also proposes to increase expenditures for various water conservation and development projects as well as local flood control and levee rehabilitation in 1997-98. Funding for these increases will mainly come from Proposition 204 bond funds. At the same time, due to the completion of construction of portions of the State Water Project, the budget proposes to reduce departmental engineering and design accordingly.

Figure 5 shows that the budget proposes reductions in the Air Resources Board (ARB) and the California Integrated Waste Management Board (CIWMB) as a result of fee expiration or a decline in revenues. In the case of ARB, the budget proposes a reduction of \$3 million in stationary source pollution control to reflect the expiration of fees on nonvehicular sources imposed by the California Clean Air Act. For CIWMB, the budget proposes various support and local assistance reductions of \$2.2 million due to the continued decline in revenues to the Integrated Waste Management Account. The budget, however, proposes to increase waste tire cleanup by CIWMB by \$5.4 million in 1997-98.

Figure 5 also shows that the budget proposes significant increases in the expenditures of the SWRCB. In particular, the budget proposes an increase of \$90 million to reimburse tank owners for the costs of cleaning up underground storage tanks. The budget also proposes \$7.4 million from the General Fund to restore funding for water quality planning, permitting, and enforcement. Additionally, the budget proposes expenditures of \$54 million from Proposition 204 bond funds for local water quality projects.

For the DTSC, the budget proposes General Fund expenditures of \$6 million for direct site cleanup at hazardous waste sites.

Figure 4

**Resources Programs
Proposed Major Changes for 1997-98**

Forestry and Fire Protection	Requested: \$457 Million
	Decrease: \$88.1 Million (-16.2%)

- + \$15.2 million for locally reimbursed fire protection services
 - + \$4.4 million to refurbish airtankers
-
- \$2.5 million in fire protection activities including support of conservation camp crews

Fish and Game	Requested: \$193.4 Million
	Increase: \$24.9 Million (+14.8%)

- + \$13.4 million for salmon restoration
- + \$3.1 million for support and local assistance of the Natural Community Conservation Planning program
- + \$3 million to develop the California oiled wildlife care network
- + \$2.6 million for habitat conservation planning, land stewardship, and riparian programs

Parks and Recreation	Requested: \$242.1 Million
	Decrease: \$24.8 Million (-9.3%)

- \$19.2 million in state park capital outlay

Water Resources	Requested: \$860 Million
	Decrease: \$50.5 Million (-5.5%)

- + \$39.9 million for water development, ground water recharge and conservation, and Bay-Delta water quality control projects
 - + \$24 million for fish and wildlife habitat
 - + \$24 million for local flood control and levee subventions
-
- \$54.9 million in State Water Project design, construction, operations, and maintenance

Figure 5

**Environmental Protection Programs
Proposed Major Changes for 1997-98**

Air Resources Board	Requested: \$109.5 Million
	Decrease: \$0.8 Million (-0.7%)

- + \$1.2 million to retire high polluting light-duty vehicles

- \$3 million to reflect sunset of California Clean Air Act nonvehicular fees

Integrated Waste Management Board	Requested: \$77.0 Million
	Decrease: \$4.1 Million (-5.1%)

- + \$5.4 million for tire recycling and waste tire site remediation

- \$2.2 million in various programs due to declining solid waste disposal fee revenues

State Water Resources Control Board	Requested: \$434.5 Million
	Increase: \$121.4 Million (+38.8%)

- + \$90 million to pay tank owners for underground tank cleanup
- + \$54 million for local wastewater treatment, recycling, drainage, and other water projects
- + \$7.4 million for water quality planning, permitting, and enforcement

- \$5 million to reflect a drop in federal funds and reimbursements

Toxic Substances Control	Requested: \$142.8 Million
	Increase: \$6.2 Million (+4.5%)

- + \$6 million for state costs of hazardous waste site remediation

- \$4.2 million in federal grants for military base cleanup

CROSSCUTTING ISSUES

Resources

OVERVIEW AND ASSESSMENT OF THE RESOURCES INITIATIVES

The Governor proposes a number of initiatives for resource conservation and management. We identify several shortcomings common to the initiatives. Specifically, these initiatives need (1) better defined objectives and measures of accomplishment, (2) coordination with existing state programs and policies, (3) identification of long-term costs and funding sources, and (4) greater legislative oversight over policy direction.

The state conserves and manages its natural resources through a number of programs. Many of these programs focus relatively narrowly, either on (1) reviewing and mitigating the environmental impacts of particular projects—such as specific proposals to harvest timber—or (2) managing and restoring specific species of fish or wildlife. The Legislature recognizes the limitations of such a project-by-project approach to natural resource conservation and management, and has called for greater coordination of various conservation efforts. For example, in the Coastal Act of 1976 the Legislature declared the state’s coast to be a distinct and valuable natural resource, existing as a balanced ecosystem, and called for orderly, balanced utilization and conservation of coastal resources.

Trend Away From Project-Based Review to Broader Focus. In recent years, there has been a trend away from project-based review and towards a broader focus in natural resource management. Instead of focusing on individual species or particular habitat, this broader approach focuses on whole ecosystems, bioregions, watersheds, and natural com-

munities. One example of this new approach is the Natural Community Conservation Planning (NCCP) program established by Chapter 765, Statutes of 1991 (AB 2172, Kelley). This program calls for broad-based, regional planning to promote the management and conservation of multiple species and natural communities, while promoting coordination and cooperation among public agencies, landowners, and other private interest through the planning process.

1997-98 Governor's Initiatives. For 1997-98, the budget proposes to further implement this broader approach to natural resource management. Specifically, the budget proposes to expand the NCCP program and implement two other initiatives, as summarized in Figure 6. According to the administration, these initiatives are an effort to achieve a cooperative, integrated approach to managing and restoring the state's (1) endangered and threatened species and natural communities, (2) watersheds, and (3) coastal resources. These initiatives would be implemented by various resources departments.

Figure 6	
Proposed Resources Initiatives	
1997-98	
(In Millions)	
Purpose	Funding
Watershed Initiative	\$3.8
Coastal Initiative	17.1
Natural Community Conservation Planning	16.0
Total	\$36.9

Analyst's Overall Review of Governor's Initiatives. In general, we believe that taking the broader approach to conserve and manage the state's natural resources has merit. However, we think that, for these initiatives to be effective, it is important that they be well defined with goals and criteria to guide resource allocation decisions. It is also important that these initiatives identify quantifiable results that enable assessments of the effectiveness of the approach. This is particularly essential because the approach is relatively new and its effectiveness is still not known.

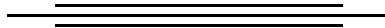
Our overall review identifies four concerns that are common to all of the initiatives as summarized below. We further discuss individual initiatives in the writeups of departments proposed to implement the initia-

tives as well as in the following writeup in this section. Specifically, we find:

- ***Proposals Lack Details on Measurable Objectives to Be Achieved and Work to Be Accomplished.*** For example, a primary objective of the watershed initiative (which we discuss below) is to streamline regulatory processes such as the review of timber harvesting plans. While the Department of Forestry and Fire Protection (CDFFP) is designated the lead agency for the watershed initiative, CDFFP is not able to specify which watersheds it will assess in 1997-98 and how assessments will be used to streamline the regulatory process either in 1997-98 or in subsequent years. This lack of specifics limits the Legislature's ability to assess the merits of the proposals and their likely cost-effectiveness, and to hold the various departments accountable for results under the initiatives.
 - ***Proposals Do Not Propose Specific Measures to Improve Coordination of Existing Programs and Policies.*** Past reports by various state agencies have pointed to a lack of coordination in the state's programs to manage its coastal and forest resources (see reports by the Resources Agency, [1995] and CDFFP, [1986]). It is not clear to what extent the initiatives would improve coordination among existing programs and policies. For example, it is not clear how the watershed initiative would result in better coordination of the state's programs to protect forest wildlife habitat and resources—such as CDFFP's review of timber harvesting plans and DFG's issuance of streambed alteration permits—so that the cost-effectiveness of these efforts is enhanced. Similarly, it is not clear how the coastal initiative would lead to better coordination among the California Coastal Commission, various conservancies, the Department of Parks Recreation, and the State Lands Commission in the state's management of coastal resources.
 - ***Long-Term Costs and Fund Sources Unspecified.*** In some instances, the initiatives require modest funding in 1997-98, but could require significant state investments in future years. However, the administration has neither specified future costs nor identified funding sources to support them. For example, although costs to acquire land to implement the NCCP in southern California could be in the hundreds of millions of dollars, a long-term source of funding to meet these costs has not been identified. Information on the initiatives' long-term costs and potential fund sources would help the Legislature to evaluate whether the proposed expenditures are (1) cost-effective and (2) consistent with legislative priorities.
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- ***Need for Statutory Authorization and Legislative Policy Oversight.*** In some cases, the administration's initiatives commit the state to policies which have received little or no policy review or oversight to date by the Legislature. For example, as we discuss under DFG (Item 3600), we think that proposed expenditures for land acquisition and management to implement NCCP raise significant policy issues about the state's funding of land acquisition to conserve endangered species. Similarly, the State Coastal Conservancy proposes to develop wetlands mitigation banks to facilitate the coastal development permitting process—as part of the coastal initiative—as we discuss in Item 3760. In our view, this proposal needs legislative policy review and statutory authorization to determine the appropriate process for developing these banks and the state's share of funding.

Conclusion. While proposals that take a broader approach to resource conservation and management may have merit, their effectiveness is unproven and costs are unknown. Consequently, it is essential that such initiatives have well-defined and measurable goals and outcomes to facilitate future assessment of their effectiveness and costs, be coordinated with existing state programs and policies, and provide for legislative oversight and policy direction. Our review concludes that the administration's proposals are deficient in these respects. This raises significant fiscal and policy issues for the Legislature to consider as it evaluates the initiatives and crafts its own approach to broad-based natural resource management. We discuss elements of the three initiatives in more detail either below (in the case of the watershed initiative) or under the individual departments in this chapter (DFG in the case of the NCCP, and the Resources Agency, California Coastal Commission, State Coastal Conservancy, and the State Water Resources Control Board in the case of the coastal initiative).



GOVERNOR'S WATERSHED INITIATIVE LACKS DETAILS

We recommend that funding for the watershed initiative—except for ten regional watershed management coordinators requested by the State Water Resources Control Board—be deleted because adequate information is lacking for the Legislature to evaluate the initiative's merits. (Reduce Item 3480-001-0001 by \$180,000, reduce Item 3480-101-0001 by \$680,000, reduce Item 3540-001-0001 by \$391,000, reduce Item 3600-001-0001 by \$1,080,000, and reduce Item 3600-001-0786 by \$430,000.)

Budget Request. The budget proposes \$3.8 million from the General Fund (\$3.4 million) and the California Wildlife, Coastal, and Park Land Conservation Fund of 1988 (Proposition 70—\$430,000) for various resources departments to implement a watershed initiative. Funds would be used to assess the ecological health of watersheds and evaluate how they are being affected by activities such as timber harvesting and development.

The assessments would be used to assist local organizations—called community-based watershed groups—to develop watershed management plans. These plans are intended to (1) guide efforts by local organizations, land owners, and state and federal agencies to restore watersheds and (2) streamline state regulatory processes such as timber harvest plan review by the Department of Forestry and Fire Protection (CDFFP) and issuance of streambed alteration agreements by the Department of Fish and Game (DFG).

Figure 7 (see page 18) indicates the funding proposed for the initiative.

As we discuss earlier in this Crosscutting Section, we think that implementing a broader approach to resource management generally—including watershed protection—has merit. We recommend approval of the request by the State Water Resources Control Board (SWRCB) for watershed coordinator positions given that these staff will help to implement existing five- to seven-year workplans of the regional boards. These workplans include identifying and assessing water quality problems in each region, targeting resources to the watersheds with the

Figure 7	
Watershed Initiative 1997-98	
(In Thousands)	
Department/Purpose	Funding
Department of Conservation	\$860
• Geological support	
• Grants to Resource Conservation Districts	
Department of Forestry and Fire Protection	391
• Watershed assessments	
• Database development	
Department of Fish and Game	1,510
• Watershed assessments	
• Technical support for local watershed planning	
• Database development	
• Habitat restoration projects	
State Water Resources Control Board	1,000
• Ten regional watershed management coordinators	
Total	\$3,761

most significant problems, developing an implementation strategy, and evaluating the results. However, we find the following deficiencies with respect to the balance of the watershed initiative proposal:

- ***Initiative Lacks Specific, Measurable Outcomes.*** The CDFFP indicates that it will select the specific watersheds to be assessed based on such criteria as local development pressure, presence of endangered species, and opportunity to establish partnerships with local organizations. The department has not identified specific watersheds to be assessed, the amount of work to be accomplished in 1997-98, or how the results of these assessments will be used. This reduces the Legislature's ability to (1) evaluate the merits of the department's proposal and (2) hold the department accountable for specific results.
- ***Long-Term Costs and Funding Sources Not Identified.*** One of the initiative's purposes is to establish a process by which state agencies review the impact of proposed projects—for example, timber harvesting and streambed alteration—on a watershed-wide basis, instead of on a project-by-project basis, focusing only on the project's related geographical area. The CDFFP indicates that the proposed limited-term staff will establish this process, thereby allowing other permanent staff to transition to the new process.

The CDFFP also indicates that the new process will save time and money for both landowners and state agencies. However, CDFFP is unable to specify *when* the new process will be established, the total state *staff time and costs* required to establish the process, future *fund sources* for those costs, or the projected *savings* to landowners or the state of implementing the new process.

- ***Relationship to Existing Planning and Assessment Programs and Databases Unclear.*** The state has already invested significant funds in databases and Geographic Information Systems (GIS) relating to wildlife habitat and forest resources. (A GIS is a computer system that stores data by geographical location.) Although the watershed initiative efforts will result in the development of new GIS databases, according to CDFFP and DFG, it is not clear how these databases will work in relation to the state's existing systems or whether their development will be cost-effective. Similarly, it is not clear how plans and assessments produced through the initiative will be integrated into or coordinated with existing state planning and assessment programs.
- ***Limited Eligibility For Planning Funds.*** The initiative would provide funds to Resource Conservation Districts (RCDs) for watershed planning, but not to other organizations such as local watershed groups or community groups. The administration has not justified why eligibility for planning funds should be limited in this manner in 1997-98. Additionally, it is not clear what organizations will be eligible for grants in *future* years, or what the criteria will be for making this determination.

Recommendation. We think that a broader approach to managing and restoring watersheds—beyond a project-by-project review of impacts—has merit and could result in improved conservation of the state's watersheds. In our view, the SWRCB's request for regional watershed coordinators has merit as these staff will help to implement existing multi-year workplans to achieve specific objectives. However, our review points to deficiencies with the remaining elements of the initiative which reduce the Legislature's ability to evaluate the initiative's specific outcomes or hold the various departments accountable for its results.

Because these deficiencies are likely to limit the initiative's long-term effectiveness, we think that the departments implementing the initiative should address these deficiencies before the Legislature authorizes the initiative. Accordingly, we recommend deletion of the funds requested for the initiative except for ten regional coordinators requested for the SWRCB.

PROPOSITION 204 EXPENDITURES SHOULD BE SCHEDULED IN BUDGET BILL

We recommend scheduling in the budget bill all support expenditures funded by Proposition 204 bond funds for various habitat restoration, water quality, and water supply programs, in order to provide greater legislative oversight. We further recommend scheduling in the budget bill all Proposition 204 funded projects for fish and wildlife habitat that are proposed to meet federal Central Valley Project Improvement Act requirements. We recommend that the Department of Water Resources provide, prior to budget hearings, a schedule of these projects.

Proposition 204 Passed by Voters. Proposition 204—the Safe, Clean, Reliable Water Supply Act of 1996—was passed by the voters in November 1996. The measure provides \$995 million for various water-related purposes. Specifically, funds are provided for habitat restoration in the Bay-Delta, wastewater treatment, water recycling and conservation, and local flood control and prevention. Of the \$995 million, Proposition 204 continuously appropriated \$968 million to various departments, including the Department of Water Resources (DWR), the State Water Resources Control Board, and the Resources Agency. The remaining \$27 million—for river parkway acquisition and riparian habitat restoration—is available only upon appropriation by the Legislature.

Expenditures for Current and Budget Years. The administration proposes Proposition 204 expenditures totaling \$99 million in 1996-97 by various departments. The budget proposes expenditures totaling \$189 million in 1997-98, as indicated in Figure 8. Of the \$189 million, only \$27 million (14 percent)—for river parkway acquisition and riparian habitat restoration—is included in the budget bill. The remaining \$162 million is proposed to be allocated *directly* to various departments and conservancies—\$113 million for local assistance and \$49 million for state support.

State Support Expenditures Should Be Scheduled in Budget Bill. The budget's proposal to allocate funds directly to the various departments is consistent with the terms of Proposition 204. However, we are con-

cerned that allocating funds outside of the budget process reduces the Legislature's oversight over the expenditure of Proposition 204 funds. In our view, scheduling these expenditures in the budget bill will provide the Legislature with greater oversight of how funds are spent—consistent with the requirements of Proposition 204—and better ensure that the objectives of Proposition 204 are accomplished.

Figure 8

Proposition 204 Expenditures 1997-98

(In Millions)

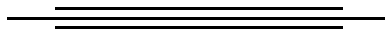
Programs and Affected Budgets	Amount
Bay-Delta Improvement	\$43.5
• Department of Water Resources	32.4
Fish and wildlife restoration—Central Valley Project	
Levee rehabilitation	
South Delta environmental mitigation	
CALFED administration	
• Department of Fish and Game	10.4
Fish and wildlife restoration—Central Valley Project	
• Secretary for Resources	0.7
Bay-Delta nonflow-related projects	
Clean Water and Water Recycling	\$55.3
• State Water Resources Control Board	55.3
Water treatment	
Water recycling and reclamation	
Delta tributary watershed rehabilitation	
Seawater intrusion control	
Water Supply Reliability	\$71.9
• Department of Water Resources	44.9
Local water supply	
Sacramento Valley water management	
Water conservation	
Feasibility studies	
• Various Conservancies and Departments	27.0
River parkway program	
Flood Control and Prevention	\$18.0
• Department of Water Resources	18.0
Claims submitted by 6/30/96 for state share of costs	
Total	\$188.7

Proposition 204 continuously appropriates its funds, with certain exceptions, to various departments. Proposition 204 does not preclude the Legislature from considering the proposed expenditures in the budget process and scheduling the expenditures. Legislative Counsel has advised us that generally the Legislature has the authority to appropriate the Proposition 204 funds in the budget bill for specified purposes, as long as those purposes are consistent with Proposition 204. Such an approach is consistent with current practice whereby expenditures from the Habitat Conservation Fund (Proposition 117), although continuously appropriated, are scheduled in the budget bill.

As discussed under the individual departments in this chapter, we find that some of the proposed Proposition 204 expenditures for state support are inappropriate. Accordingly, so that the Legislature can exercise oversight over these expenditures, we recommend that new items be created to specify all of the proposed Proposition 204 expenditures for state support in the budget bill. We discuss our specific recommendations for the amounts and purposes for which funds should be appropriated under the individual departments. (Please see our writeups for the Secretary for Resources, Item 0540, and the Department of Fish and Game [DFG], Item 3600.)

Projects Required by Central Valley Project Improvement Act Should Also Be Scheduled. Proposition 204 provides \$93 million to be appropriated directly to the State Controller for allocation to DFG and DWR to pay the state's share of costs for fish and wildlife restoration activities that are required by the federal Central Valley Project Improvement Act (CVPIA). The budget displays expenditures totaling \$30 million for the current year and proposes expenditures totaling \$34.4 million for the budget year (\$24 million for DWR and \$10.4 million for DFG) from Proposition 204 funds for this purpose. Since the CVPIA provides specifically the categories of projects that are mandated and require a state share of the costs, we recommend that the budget bill include a schedule of the projects to be funded by Proposition 204 funds to clearly identify state expenditures that meet CVPIA requirements.

We recommend that DWR provide the Legislature, prior to budget hearings, with a schedule of projects that relate to specific CVPIA requirements and are to be funded by Proposition 204 funds. We discuss our particular concerns with DFG's proposal for these Proposition 204 funds in our writeup for DFG (Item 3600).



RIVER PARKWAY PROGRAM LACKS GOALS AND CRITERIA TO PRIORITIZE PROJECTS

We recommend that \$26.3 million requested from Proposition 204 for implementation of the River Parkway Program be deleted, because the program's goals are not yet defined and criteria to prioritize funding of projects are lacking. We further recommend that supplemental report language be adopted directing the Resources Agency to establish project selection criteria and identify priority projects for funding based on these criteria in order to assist the Legislature's decisions on project funding in 1998-99. (The recommended deletion includes \$4 million for the Department of Parks and Recreation [Item 3790]. Please see our writeup on that department in the Capital Outlay chapter.) (Reduce Item 3125-301-0545 by \$1 million, reduce Item 3640-301-0545 by \$9.3 million, reduce Item 3760-301-0545 by \$7 million, reduce Item 3810-301-0545 by \$5 million.)

Proposition 204 created the River Parkway Program, and provides \$27 million to implement it. Funds are available for acquisition and restoration of riparian and aquatic habitat and for river and stream trail projects. (Please see the Capital Outlay section of this *Analysis* for our discussion of the Department of Parks and Recreation's [DPR's] River Parkway Program proposed expenditures.)

The budget proposes to expend the entire \$27 million in 1997-98, as indicated in Figure 9 (see page 24). Funds will be spent to acquire and restore riparian habitat and develop public access and recreational opportunities. Of the total, \$26.3 million will be allocated to the Wildlife Conservation Board (WCB), various state conservancies, and DPR for capital outlay. The remaining \$700,000 is proposed for local assistance grants in the Urban Streams Restoration Program administered by the Department of Water Resources (DWR).

Legislature Called for River Protection Program. Chapter 762, Statutes of 1991 (SB 906, Hill)—the California Riparian Habitat Conservation Act—called for a coordinated state rivers and riparian habitat protection

program. Partially in response to this measure, various state agencies including the Department of Fish and Game (DFG), the WCB, and the State Lands Commission have issued reports and plans to conserve and better manage the state's rivers and riparian habitat.

Figure 9	
Proposition 204 River Parkway Program	
Proposed Expenditures, 1997-98	
(In Thousands)	
Agency and Purpose	Amount
California Tahoe Conservancy	
Truckee River	\$1,000
Wildlife Conservation Board	
Sacramento River and tributaries	1,500
San Joaquin River	500
Santa Margarita River	300
San Jacinto River	2,000
San Joaquin River Parkway	5,000
State Coastal Conservancy	
Los Angeles River and tributaries	2,000
Napa River	1,000
Otay River	3,000
Russian River	1,000
Department of Parks and Recreation	
Various counties	4,000
Santa Monica Mountains Conservancy	
Los Angeles River and tributaries	5,000
Department of Water Resources	
Various counties	700
Total	\$27,000

Planning Efforts to Continue in 1997-98. Several of the planning activities started since 1991 are proposed to continue in 1997-98. For example, DFG requests about \$70,000 in 1997-98 to continue development of the Riparian Habitat Joint Venture Program, which will establish strategies and quantifiable habitat objectives to protect riparian habitats statewide. In addition, the California Rivers Assessment—a cooperative effort among the University of California, Davis; state, federal, and local agen-

cies; and private organizations—is conducting a statewide inventory of rivers and detailed evaluations of their environmental conditions, to improve river conservation and management. The statewide inventory and evaluation has not been completed. The project has focused its initial attention on various rivers and bodies of water including the Eel, Sacramento, Mokelumne, Cosumnes, Carmel, Owens, Santa Clara, and Santa Margarita rivers, and the Salton Sea.

Analyst's Review of Proposed River Parkway Program. The availability of Proposition 204 funds provides the Legislature with a significant opportunity to further the objectives of Chapter 762, and fund projects in a coordinated manner using criteria that allow projects to be prioritized statewide based on need for acquisition and restoration of riparian and aquatic habitat. In our view, \$700,000 requested for local assistance for the Urban Streams Restoration Program administered by DWR is justified. This is because that program—established by statute in 1985—has well-defined criteria for determining funding priorities and distributing grants. (In the past, these grants have been funded by bond funds that are now depleted.)

However, our review of the projects proposed for funding under WCB and the various state conservancies raises the following concerns.

- **Projects Proposed Not Based on Quantifiable Objectives and Criteria.** According to the Resources Agency, proposed projects for 1997-98 were selected because they were deemed to be of high priority by individual departments. Projects were not selected on the basis of consistent statewide criteria. Consequently, it is not clear whether the funding will be directed at the highest priority needs statewide for riparian habitat protection and restoration. It is also not clear what the projects will achieve in terms of protection and restoration of riparian habitat.
- **Proposal Will Exhaust Available Funds.** The budget proposes to appropriate *all* \$27 million available under Proposition 204 for the River Parkway Program in 1997-98. Accordingly, no additional funds will be available as new priorities for river conservation are identified.

Recommendation. In our view, expenditures of River Parkway Subaccount funds will be most cost-effective if they are based on established criteria to prioritize river restoration and enhancement projects statewide according to where they are most needed. Because the projects proposed for 1997-98 do not meet this criteria, we recommend that the funds be deleted (with the exception of \$700,000 for DWR). While we recognize that this will delay spending of Proposition 204 funds, we think

that it is advisable nonetheless to establish criteria for consistent evaluation and selection of projects in order to ensure that funds are directed to the highest priority projects from a *statewide perspective*, not an individual state agency perspective.

In order that the Legislature can assess whether the administration's proposals are based on such criteria in future years, we recommend adoption of the following supplemental report language:

The Secretary for Resources shall submit a report to the Legislature by January 1, 1998, describing (1) the criteria used in selecting Proposition 204 River Parkway Program projects proposed for funding in 1998-99; (2) the relationship of those proposed projects to ongoing planning and evaluation efforts such as the California Rivers Assessment; and (3) a priority list of projects selected based on the above criteria for funding in subsequent years.

Based on this information, the Legislature will be better able to allocate River Parkway funds in future years in accordance with its priorities and with established high-priority needs.

FUND CONDITIONS FOR RESOURCES PROGRAMS

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

Special Funds and Park-Related Bonds

Based on our review of the status of selected special funds and bond funds, we conclude that, if the Legislature approves the Governor's spending proposals, there will be virtually no money available (1) in special funds for legislative priorities and (2) in park-related bond funds to start new park projects.

Figure 10 (see page 28) summarizes the total amount of funds available for expenditure in 1997-98 for selected special funds and park-related bond funds, the Governor's proposed expenditures from these funds, and the reserve balances available after the Governor's proposed expenditures. The Legislature may wish to retain some of the projected reserves in the accounts to meet contingencies such as revenue shortfalls or unanticipated expenditures. However, this would further reduce the amounts of funds available for appropriation by the Legislature in 1997-98.

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

- Control and abatement of air pollution.

- Acquisition, preservation, and restoration of natural areas and ecological reserves.
- Environmental education.
- Protection of nongame species and threatened and endangered plants and animals.
- Protection, enhancement, and restoration of fish and wildlife habitat, and related water quality.
- Purchase of real property, consisting of sensitive natural areas, for the state, local, or regional park systems.
- Reduction of the effects of soil erosion and the discharge of sediment into the water of the Lake Tahoe region.

Figure 10

**Selected Special Funds
Resources Programs^a
1996-97 and 1997-98**

(In Millions)

Special Funds	1996-97	1997-98		
	Expenditures	Resources	Expenditures	Balances
Environmental License Plate Fund	\$23.0	\$19.4	\$18.4	\$1.0
Public Resources Account, Cigarette and Tobacco Products Surtax Fund	21.0	21.0	20.4	0.6
Habitat Conservation Fund	44.3	33.5	32.4	1.1
Totals	\$88.3	\$73.9	\$71.2	\$2.7

^a Based on Governor's budget.

The budget proposes expenditures totaling \$18.4 million from the ELPF, a reduction of \$4.6 million (20 percent) from estimated current-year spending. This reduction is due primarily to an overestimation of revenues in the current year, resulting in the need for a General Fund loan to the ELPF to cover current-year expenditures. The budget indicates that this loan will be repaid in 1997-98 from ELPF revenues, reducing the amount of funds available for expenditure on programs in the budget year. As we discuss under the Wildlife Conservation Board (WCB—Item 3640), underfunding of the Habitat Conservation Fund (HCF) in the budget year would result in a budget-year deficit in the ELPF.

Public Resources Account, Cigarette and Tobacco Products Surtax Fund (PRA). The Public Resources Account (PRA) receives 5 percent of the Cigarette and Tobacco Products Surtax Fund (C&T Fund) revenues. The budget projects account resources to be about \$21 million in 1997-98. Generally, PRA funds must be used in equal amounts for (1) park and recreation programs at the state or local level and (2) habitat programs and projects.

Of the projected resources, the budget proposes expenditures from the PRA for the various departments totaling \$20.4 million. This is a decrease of \$596,000 (2.8 percent) from estimated current-year funding. This reduction reflects a decrease in projected revenues to the C&T Fund, and a drawing down of the reserve in the PRA.

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

The budget proposes to transfer a total of \$27.9 million into the HCF in 1997-98. Including a carry-over reserve from 1996-97, the budget proposes total expenditures of \$32.4 million in the budget year. These funds are proposed to fund activities of the California Tahoe Conservancy, State Coastal Conservancy, Department of Parks and Recreation, and WCB. Specifically, the budget proposes \$23.4 million to be allocated to WCB.

Park-Related Bonds. Figure 11 (see page 30) shows the amount available in selected park bond funds and the expenditures proposed for 1997-98. Park development projects and land acquisitions have traditionally been funded by various bonds passed by the voters. The availability of bond funds has contributed to the Legislature's flexibility in funding its priorities in past years. This is because the Legislature has been able to free up funds in the ELPF and the PRA by using bond funds to the greatest extent possible to fund various projects.

The budget projects available park-related bond fund balances totaling \$18.6 million at the beginning of 1997-98, as shown in Figure 11. The figure also shows that the fund balance at the end of 1997-98 is estimated to be \$6.5 million. Of this amount, \$3.2 million is from the 1988 park bond. Much of these funds are earmarked for development of particular geographic areas and for certain categories of projects. Consequently, if

the Legislature approves the Governor's spending proposals, the amount available for projects to meet legislative priorities will be less than \$6.5 million.

Figure 11

**Selected Park Bond Funds
Resources Programs^a
1996-97 and 1997-98**

(In Millions)

Bond Funds	1996-97	1997-98		
	Expenditures	Resources	Expenditures	Balances
Parklands Fund of 1980	\$1.9	— ^c	—	— ^c
Parklands Fund of 1984	4.7	2.5	2.4	0.1
Fish and Wildlife Habitat Enhancement Fund of 1984	—	2.7	—	2.7
State Coastal Conservancy Fund of 1984	1.7	1.3	0.8	0.5
California Wildlife, Coastal and Park Land Conserva- tion Fund of 1988 ^b	47.2	12.1	8.9	3.2
Wildlife and Natural Areas Conservation Fund of 1988	1.6	— ^c	—	— ^c
Totals	\$57.1	\$18.6	\$12.1	\$6.5

^a Based on the Governor's budget.

^b Amounts shown reflect all bond allocations including those not subject to budget bill appropriations.

^c Not a meaningful figure.

Water Bonds

The budget proposes substantially greater expenditures for various water quality and water supply projects in 1997-98, using some of the \$995 million provided by Proposition 204 bond funds. While the state's unmet share of costs for federally authorized flood control projects—currently about \$167 million—will be reduced by these expenditures, it will remain at about \$107 million at the end of 1997-98.

As indicated in Figure 12, the budget reflects expenditures totaling \$269.2 million in 1997-98 from various water bonds for (1) safe drinking water; (2) water supply, including water conservation, water recycling, and groundwater recharge; (3) wastewater treatment and other water quality projects, (4) Bay-Delta ecosystem restoration, and (5) flood control. This is an increase of \$178.7 million, or 197 percent, above estimated

current-year expenditures from bonds for these purposes. This increase reflects the availability of \$995 million of additional bond funds from the Safe, Clean, Reliable Water Supply Act (Proposition 204) for various purposes.

Figure 12			
Selected Water Bond Funds^a			
1997-98			
(In Millions)			
	Resources	Expenditures	Balances
Safe drinking water			
1986 California Safe Drinking Water Fund	\$20.3	\$15.7	\$4.6
1988 California Safe Drinking Water Fund	35.1	15.2	19.9
Subtotals	(\$55.4)	(\$30.9)	(\$24.5)
Water supply			
1986 Water Conservation and Water Quality Fund	\$36.1	\$21.8	\$14.3
1988 Clean Water and Water Reclamation Fund	9.4	7.3	2.1
1988 Water Conservation Fund	24.2	5.4	18.8
Safe, Clean, Reliable Water Supply Fund ^b	170.5	87.0	83.5
Subtotals	(\$240.2)	(\$121.5)	(\$118.7)
Wastewater treatment/water quality			
1984 State Clean Water Fund	\$27.4	\$15.1	\$12.3
Safe, Clean, Reliable Water Supply Fund ^b	158.6	40.2	118.4
Subtotals	(\$186.0)	(\$55.3)	(\$130.7)
Bay-Delta ecosystem restoration			
Safe, Clean, Reliable Water Supply Fund ^b	\$548.7	\$43.5	\$505.2
Flood control and prevention			
Safe, Clean, Reliable Water Supply Fund ^b	\$18.0	\$18.0	—
Totals	\$1,048.3	\$269.2	\$779.1

^a Based on Governor's budget.
^b Proposition 204.

Safe Drinking Water. The budget projects total expenditures of \$30.9 million in 1997-98, leaving a balance of \$24.5 million at the end of 1997-98. Pending grant applications are in the pipeline against most of this balance.

Water Supply. The budget projects total expenditures of \$121.5 million—\$87 million from Proposition 204 bond funds— for water supply programs. This leaves a balance of \$118.7 million, mainly for new projects.

Wastewater Treatment and Other Water Quality Projects. The budget proposes \$55.3 million in expenditures to fund wastewater treatment, agricultural drainage treatment, seawater intrusion control, and other water quality projects in 1997-98. This leaves a balance of \$130.7 million, mainly for new projects.

Bay-Delta Ecosystem Restoration. Proposition 204 bond funds provide a total of \$583 million for various projects to restore the ecosystem of the Bay-Delta. The budget estimates expenditures of \$34.3 million from these funds in 1996-97, leaving a balance of \$548.7 million at the start of 1997-98. The budget proposes expenditures of \$43.5 million in 1997-98, leaving a balance of \$505.2 million.

Flood Control and Prevention. The costs of federally authorized flood control projects are shared by the federal government (65 percent), state government (25 percent), and local government (10 percent). Due to the state's budget condition in recent years, however, the state has been unable to pay fully its share of costs for these flood control projects. According to the Department of Water Resources (DWR), the unpaid amount on the state's share of costs is currently about \$167 million.

Proposition 204 bond funds provide \$60 million for the state's share of costs of these flood control projects. The budget estimates expenditures of \$42 million from these funds in 1996-97, leaving a balance of \$18 million at the start of 1997-98. The budget proposes spending the remaining \$18 million by the end of 1997-98. About \$107 million in state costs will remain unpaid. According to DWR, the unmet funding need for the state share has caused construction to stop on a number of projects, including enlargement of Prado Dam on the Santa Ana Mainstem near the border of Orange, Riverside, and San Bernardino Counties, and work on Upper Llagas Creek in Santa Clara County.

The \$60 million in Proposition 204 funds for the state share of flood control costs is only available to pay claims submitted by June 1996 for projects in specified counties. Thus, these funds are not available to address the recent floods.



DEPARTMENTAL ISSUES

Resources

SECRETARY FOR RESOURCES (0540)

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

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

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

Agency Expenditures to Replace Coastal Commission Equipment Not Justified

We recommend deletion of \$500,000 requested from the General Fund for the Resources Agency to purchase data processing equipment and

services and develop a system to track development permits for the California Coastal Commission because (1) a feasibility study report for the proposed system has not been prepared and (2) the agency has not justified why it is the appropriate entity to make these expenditures. Pending further review by the Department of Information Technology, we recommend instead that \$345,000 in General Funds be appropriated directly to the commission for information technology replacement and related staff support. (Reduce Item 0540-001-0001 by \$500,000 and reduce reimbursements to Item 3720-001-0001 by \$500,000.)

Budget Request. The budget requests \$500,000 from the General Fund for the Secretary for Resources to purchase data processing equipment and services for the California Coastal Commission. Specifically, the agency will (1) purchase equipment—including computer hardware, software, data processing supplies, and consulting services—to upgrade the commission’s existing information technology systems; and (2) develop a system for the commission to track the status of coastal development permits. The agency indicates that it is better suited than the commission to make these expenditures because of the statewide nature of the system required and the lack of technical expertise at the commission.

Analyst’s Review. We have two concerns with the request. First, our review indicates that a feasibility study report (FSR) has not been approved for the project proposed by the agency. (Generally, under state procedures, an FSR must be approved prior to the expenditure of funds to implement an information technology project.) The purpose of an FSR is to evaluate alternative solutions, ensure that the proposed project makes the best use of an agency’s information technology infrastructure, and determine whether the project is cost-effective. Without an approved FSR describing the expenditures proposed by the agency—including development of the permit tracking system—we have no basis for evaluating whether the proposed expenditures will be cost-effective.

Second, our review indicates that the agency’s request is not consistent with general state procedures for procuring data processing equipment and services. Typically, funding is allocated directly to departments, not their agencies, to meet their data processing equipment needs. Additionally, the commission’s 1994 Information Technology Strategy identifies what the commission will need to implement in terms of information technology in order to carry out its responsibilities. Based on that document, we think the commission is capable of acquiring necessary data processing tools and equipment. We see no reason why the agency is better suited than the commission to make these expenditures. Accordingly, we recommend deletion of \$500,000 requested for the Resources Agency to purchase data processing equipment and services for the commission.

Commission Has Prepared an FSR. The commission prepared an FSR for information technology equipment replacement (but not development of the permit tracking system) in October 1996, recommending funding totaling \$345,000 for equipment replacement (\$260,000) and commission staff support (\$85,000). At the time this *Analysis* was prepared, the Department of Information Technology (DOIT) had not reviewed the commission's FSR. In our view, if DOIT determines that the commission's proposal has merit and approves the commission's FSR, then it would be appropriate to provide funding in 1997-98 to the commission for the equipment replacement and staff described in the FSR. Accordingly, pending review by DOIT of the commission's FSR, we recommend appropriation of \$345,000 to the commission for equipment replacement and related staff support.

Proposed Budget Bill Language Reduces Legislative Oversight

We recommend deletion of proposed budget bill language allowing the Secretary for Resources to allocate certain Proposition 204 funds because it would reduce legislative oversight. (Delete Item 0540-0401.)

Proposition 204, approved by the voters in November 1996, created the Central Valley Project Improvement Subaccount (CVPIS), to be allocated by the State Controller to pay the state's share of costs for fish and wildlife restoration measures required by the federal Central Valley Project Improvement Act. (We further discuss this under the Department of Fish and Game, Item 3600.)

The budget proposes expenditures from the CVPIS in 1997-98 totaling \$34.4 million by the Department of Fish and Game (\$10.4 million) and the Department of Water Resources (\$24 million). The budget also proposes language allowing the Secretary for Resources—instead of the Controller—to allocate these funds.

Proposed Language Reduces Legislative Oversight. If the administration's proposed language is adopted, it will mean that the administration—not the Legislature—will determine the priorities for allocating these Proposition 204 monies. As we indicated in the Crosscutting Issues section of this chapter, we recommend that CVPIS funds be appropriated in the budget bill to ensure that these funds are expended in accordance with legislative priorities and the intent of Proposition 204. Accordingly, we see no justification for the proposed language, and recommend that it be deleted.

DEPARTMENT OF CONSERVATION (3480)

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

The department proposes expenditures totaling \$416.9 million in 1997-98, an increase of about \$6.3 million, or 1.5 percent, from estimated current-year expenditures.

Expansion of Mineral Classification Program Not Justified

We recommend a reduction of \$386,000 and three positions requested to accelerate classification of the state's mineral resources, because (1) local agencies are no longer required to use this information, and (2) the Department of Conservation could reduce the need for additional staff by better prioritizing its mineral classification workload in accordance with statutory direction. (Reduce Item 3480-001-0035 by \$386,000.)

The Surface Mining and Reclamation Act of 1975 (SMARA) established a two-step process for identifying the state's mineral resources and developing local land use policies to protect those resources.

- **Step 1: Classification of Mineral Resources by State Geologist.** The State Geologist is required to classify certain areas of the state on the basis of their mineral resources. Areas are to be classified as (1) containing little or no mineral deposits, (2) containing significant deposits, or (3) requiring further evaluation. Classification information is transmitted to local agencies—known as “lead” agencies—which approve surface mining operations.
 - **Step 2: Development of Mineral Resource Management Policies (MRMPs) by Local Agencies.** Within 12 months of receiving mineral classification information, the local lead agencies are required to establish MRMPs, to be incorporated into their general plans.
-

These policies must recognize the mineral classification information, assist in land use management, and emphasize the conservation and development of identified mineral deposits. Local agencies are required to submit their MRMPs to the State Mining and Geology Board for review and comment prior to adoption. (The board has broad policy responsibilities for mineral resource conservation and mining in California.)

Budget-Year Proposal. The DOC's Division of Mines and Geology provides staff for the State Geologist. In the current year, the division has a staff of 13 positions and \$1.1 million to conduct mineral classifications. For 1997-98, the budget requests an additional \$386,000 (from the Surface Mining and Reclamation Account in the General Fund) and three positions to conduct mineral classifications which would bring the total budget for the program to \$1.5 million and 16 positions.

We have two concerns with the department's proposal.

Local Agencies No Longer Required to Use Classification Information. First, our review indicates that local agencies are no longer required to use the mineral classification information generated by DOC. This is because the mandate that local agencies prepare MRMPs has been suspended since 1991-92, given the state's fiscal condition. The budget proposes to *continue* to suspend the mineral resources policy mandate in 1997-98. In our view, there is no reason for the state to increase its expenditures to provide local agencies with mineral classification information as required by the SMARA if local agencies are not required to *use* that information.

Scope of Work Exceeds Statutory Requirements. Second, our review indicates that a better prioritization by the DOC of its mineral classification workload would likely enable it to meet its statutory responsibilities without additional staff. This is because although the department has streamlined the classification process in recent years, it still provides more detailed information to local agencies than statutorily required. The DOC classification reports typically provide substantial detail on the location, nature, and extent of mineral deposits, instead of following current law that requires the department to only classify areas as containing little or no mineral deposits, containing significant deposits, or requiring further evaluation. In our view, if local agencies require this additional information, then they should bear the costs of developing it.

Recommendation. There is no reason for the state to increase its expenditures to develop mineral classification information given that (1) local agencies are no longer required to *use* the information and (2) the DOC could better prioritize its mineral classification workload in accordance

with statutory direction. We therefore recommend a reduction of \$386,000 in funds requested for three new positions for additional classification work.

Flexibility to Augment Seismic-Related Programs Diminishes Legislative Oversight

We recommend a reduction of \$1,011,000 for seismic-related programs (Seismic Hazards Mapping and Strong Motion Instrumentation) because the need for the requested increases has not been justified. We further recommend that budget bill language allowing the Department of Finance to authorize additional expenditures by the department on the Seismic Hazard Mapping and Strong Motion Instrumentation programs be deleted because the language diminishes legislative oversight of the programs. (Eliminate Provision 1 of Item 3480-001-0338 and Provision 1 of Item 3480-001-0398. Reduce Item 3480-001-0338 by \$291,000 and reduce Item 3480-001-0398 by \$720,000.)

The DOC administers programs to (1) map seismic hazards and (2) develop information on how structures are affected by seismic activity. For 1997-98, the budget proposes \$1,076,000 and \$2,740,000 for support of these programs respectively. This represents an increase over current-year funding levels of \$291,000 (36 percent) and \$720,000 (35 percent) respectively. The department indicates that these increases are necessary to return the programs to their baseline funding levels.

The budget also proposes language that allows the Department of Finance, upon notification of the Legislature, to authorize the following additional expenditures:

- Up to \$24,000 for seismic hazard mapping, bringing program expenditures to \$1.1 million.
- Up to \$560,000 for strong motion instrumentation, bringing program expenditures up to \$3.3 million.

Budget Request Should Justify Dollar Amount Requested. We believe that program funding should be based on identified needs and workload, not *past* baseline funding levels. Funding levels (including reimbursements and federal funds) for these two programs have actually *increased* since 1994-95. Consequently, the budget request should identify why current funding is inadequate and why the proposed increase is warranted. Supporting documents accompanying the department's request generally describe the need to return to a higher base funding level, but fail to link program needs and workload with the amount requested. Accordingly, we recommend deletion of the proposed increase.

Proposed Flexibility Reduces Legislative Oversight. In our view, the proposed budget bill language is not warranted. As indicated above, amounts requested for the programs should be based on anticipated workload, and we find no justification, other than departmental flexibility, for the language. The language would reduce the Legislature's ability, through the budget process, to determine the appropriate level of funding for the department's seismic programs.

Consequently, we recommend that Provision 1 of Item 3480-001-0338 and Provision 1 of Item 3480-001-0398 be deleted from the budget bill, as this language is not justified.

Reimbursements May Not Be Available For Timber Harvest Plan Review

We recommend a reduction in reimbursements from the California Department of Forestry and Fire Protection (CDFFP, Item 3540) for timber harvesting plan reviews in order to conform with action under CDFFP's budget. (Reduce reimbursements to conform with Item 3540-001-0001.)

The Forest Practice Act prohibits timber harvesting unless harvest operations comply with a timber harvesting plan (THP) prepared by a registered professional forester and approved by the director of CDFFP. The THPs cover such matters as harvest volume, cutting method, erosion control measures, and special provisions for unique areas or wildlife that would be affected by harvesting operations. Under contract with CDFFP, the Division of Mines and Geology of DOC evaluates the geologic conditions of proposed timber harvesting sites and evaluates erosion control measures proposed in THPs. In 1995-96, DOC was reimbursed \$486,000 by CDFFP for its review of THPs.

In 1997-98, DOC's budget includes \$500,000 in reimbursements from CDFFP for review of THPs, or about the same amount as it has received in previous years. However, our analysis indicates that this level of reimbursements may not materialize. This is because CDFFP proposes to reduce its reimbursements to the DOC by \$126,000 and rely on CDFFP staff to provide some geological review of THPs instead of contracting for the work with the DOC. Depending on the Legislature's action on CDFFP's request, the reimbursements to DOC ought to be reduced accordingly.

Expenditures of Federal Funds Disregard Section 28.00

We recommend that the department report at budget hearings on why it has disregarded the requirements of Section 28.00 of the budget act in its expenditures of federal funds in the current year.

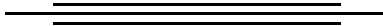
Background. The 1996-97 Budget Act provided the department with federal fund expenditure authority of \$666,000. In November 1996, DOC submitted a request pursuant to Section 28.00 of the budget act to spend an *additional* \$1.1 million in federal funds in the current year, to continue research on converting mapping technology to civilian use (a project known as GeoSAR, or Geologic Synthetic Aperture Radar). This brought the department's level of *approved* federal fund expenditures for 1996-97 to about \$1.8 million.

Department Disregards Section 28.00 Process in Current Year. The department now indicates that it expects to spend a total of about \$2.6 million in federal funds in the current year, or \$862,000 *over* the level approved by the Legislature. The DOC indicates that the additional funds were available to it as (1) carry-over from 1995-96 funds and (2) from new federal grants. The department indicates that it does not plan to submit a Section 28.00 request to enable expenditures of these funds. Our review indicates that the department does not have expenditure authority for these funds without prior notification to the Legislature through Section 28.00 of the budget act.

Accordingly, we recommend that the department report at budget hearings on why it has disregarded the requirements of Section 28.00 in its expenditures of federal funds in the current year.

Funding Proposed for Watershed Initiative

The budget requests \$860,000 from the General Fund for the Department of Conservation to implement the Governor's watershed initiative. We discuss this proposal in the Crosscutting Issues section of this chapter.



DEPARTMENT OF FORESTRY AND FIRE PROTECTION (3540)

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

The budget requests \$425.2 million from the General Fund (\$279.3 million), various other state funds (\$22.3 million), and federal funds and reimbursements (\$123.6 million) for support of the CDFFP in 1997-98. This is a reduction of \$90.6 million, or 18 percent, from estimated current-year expenditures, resulting from a decrease in the level of funds budgeted for emergency fire suppression costs below current-year estimated expenditures. As actual expenditures for emergency fire suppression typically exceed the authority provided in the budget act, the difference is provided through a deficiency bill.

Fire Plan Does Not Provide Resource Allocation Information

The current fire plan does not provide the Legislature with information to determine the appropriate level of fire protection, as intended by statute. We recommend adoption of supplemental report language directing the Board of Forestry and the California Department of Forestry and Fire Protection to adopt an appendix to the plan providing this information.

The CDFFP is responsible for providing fire protection services to forests, watershed areas, and rangelands that have been designated as State Responsibility Areas (SRAs) by the Board of Forestry. (The board provides general policy guidance for CDFFP and for the management of the state's forest resources.) In order to provide adequate fire protection

services, current law requires the Board of Forestry to prepare a fire protection plan. The purpose of the plan is to provide a detailed description of the amount and distribution of resources (firefighters, equipment, and facilities) needed for adequate statewide fire protection in SRAs. Traditionally, the department prepares the plan, and the board reviews and approves it.

New Fire Plan Does Not Meet Statutory Requirements. Current law specifies the content of the fire plan. However, it does not specify how often the board must update the plan. In an effort to develop a better analytical framework for the provision of wildland fire protection in California, the department prepared a new plan in 1996, replacing the previous one approved in 1986. While the effort is commendable, our review indicates that the new plan falls short in meeting key statutory requirements and in providing an adequate basis to determine and justify current and future staff and funding levels. Specifically:

- ***Plan Does Not Classify SRAs.*** Current law requires the board to classify SRA lands according to four characteristics—(1) vegetative cover, (2) beneficial use of water from watersheds, (3) probable damage from erosion, and (4) fire risks and hazards. The fire plan, however, indicates that additional data collection will be necessary before CDFFP can group SRA lands as required.
- ***Plan Does Not Set a Level of Protection for Similar Lands.*** Current law also requires the board to determine the *level* of protection to be given to similar types of land. The plan does not set a level of protection for similar lands, but rather defines a process to determine the level of protection.
- ***Plan Does Not Estimate Costs of Protection.*** Current law requires the plan to estimate the costs of the level of protection assigned to SRA lands. If available resources are insufficient to cover the estimated costs, then the board must determine whether to reduce the level of fire protection. Our review indicates that the plan does not provide the required cost estimates, nor an analytical basis for adjusting the level of protection.
- ***Plan's Scope Exceeds That Called for by Statute.*** While current law requires the plan to classify lands only within SRAs, the 1996 fire plan attempts to assess wildland fire protection needs on *all* wildlands in the state, not just SRAs.

Plan Does Not Provide Legislature With Needed Information. The main purpose of the fire plan is to provide guidance for deploying firefighting resources. Without cost estimates for the level of fire protection provided to different land types, and without a process to adjust

protection levels in line with available resources, the department does not have a tool to guide effective resource allocation. Additionally, the Legislature lacks the information it needs to determine whether the current deployment of resources provides appropriate levels of protection to lands of similar types.

For instance, based on a 1996 review of the boundaries of SRA lands (to determine which areas should be the responsibility of local or federal agencies), the number of acres for which CDFFP is required to provide fire protection will be fewer by about 91,000 acres beginning July 1997. Reductions in SRA acreage should reduce General Fund costs, and may also require adjustments in the allocation and deployment of resources within the department. For 1997-98, the department is proposing a reduction in fire protection (as we discuss below). However, the department is unable to provide any analytical connection between the proposed funding reductions and the changes in SRAs. Thus, the Legislature is not able to assess the impact of the proposed reduction on the level of fire protection provided.

Analyst's Recommendation. We think it is important that the fire plan provide the Legislature with the necessary information to determine the appropriate level of wildland fire protection. Accordingly, we recommend adoption of the following supplemental report language:

It is the intent of the Legislature that the Board of Forestry adopt an appendix to the 1996 fire plan, by January 1999, providing the following information: (1) the level of protection to be assigned to State Responsibility Area lands of the same type and (2) the estimated cost of this level of protection.

Level of Fire Protection Varies Across Lands of Similar Type

Our review indicates that the California Department of Forestry and Fire Prevention's (CDFFP's) rate of success in fighting wildland fires varies across lands of similar types. We recommend adoption of supplemental report language directing the CDFFP to report on (1) the level of protection it is currently providing to lands of the same type, and (2) steps it has taken or will take to ensure that lands of the same type receive the same level of protection.

The CDFFP defines level of protection primarily in terms of the rate—known as the rate of success of initial attack—at which the department extinguishes small fires before they become large (and more damaging) fires extending over ten acres. (The board has established a 95 percent initial attack success rate as a primary goal of CDFFP's fire protection program.)

1986 Fire Plan Provides Basis for Assessing Initial Attack Success Rate. While the 1996 fire plan does not group lands of similar types, the 1986 plan did. Specifically, the plan grouped CDFFP ranger units (CDFFP's local level administrative unit) into six groups. Our review of initial attack success rates indicates that the level of fire protection varies within individual groups.

For instance, Figure 13 indicates that from 1991 through 1995 the average level of protection given to lands in the Redwoods Area group was relatively constant across lands, at about 97 percent. This means that consistently throughout the area, CDFFP extinguished 97 out of every 100 fires before they spread over ten acres.

Figure 13 also indicates that the initial attack success rate in the Central Area Group (covering roughly the Central Coast inland to the Sierra) varied more across ranger units. For example, the San Luis Obispo Ranger Unit rate of success was about 95 percent, while the rate in the Santa Clara unit was less than 89 percent.

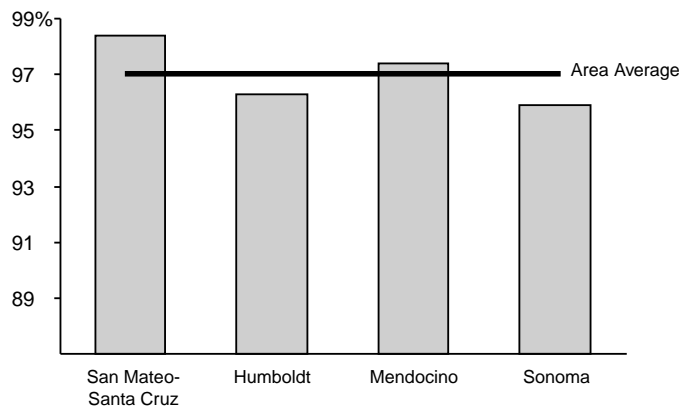
We recognize that in any given year, success rates will vary depending on a number of factors such as weather, extent of vegetation control, and level of fire-fighting resources available, and that the department does not have control over all of these factors. However, over time, success rates should be relatively consistent for lands of similar type. To the extent variations exist, the department should reassess its resource allocations.

Because the 1996 fire plan does not provide information on how resources will be allocated to ensure relatively consistent protection to lands of similar type, we recommend adoption of the following supplemental report language:

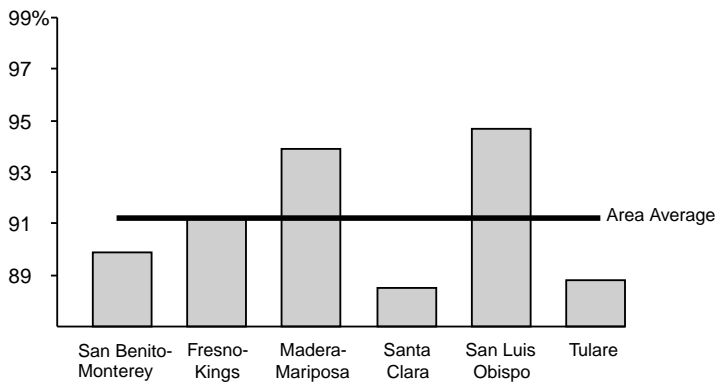
By January 1, 1998, the department shall submit a report to the Legislature on (1) the level of protection it currently provides to lands of the same type and (2) steps it has taken or will take to ensure that lands of the same type receive the same level of protection.

Figure 13

**California Department of Forestry and Fire Protection
Initial Attack Success Rate
5 Year Average 1991 Through 1995**



Redwoods Area



Central Area

Proposed Reductions Are “Penny-Wise, Pound-Foolish”

The budget proposes reductions in funding for fire protection and vegetation management, which are likely to result in increased General Fund expenditures for emergency fire suppression and inmate custody.

Budget Request. For 1997-98, the budget proposes reductions for (1) fire protection totaling \$2.5 million (1 percent) and (2) vegetation management totaling \$727,000 (23 percent).

Proposed reductions in fire protection are summarized in Figure 14.

Figure 14	
California Department of Forestry and Fire Protection Proposed Reductions to Fire Protection 1997-98	
(In Thousands)	
Program	Reduction
Eliminate 14 conservation camp crews	\$1,500
Continue consolidation of Sonoma and Lake-Napa Ranger Units	380
Consolidate (1) Shasta-Trinity and Siskiyou Ranger Units, and (2) Santa Clara and San Mateo Ranger Units	340
Unallocated reduction	280
Total	\$2,500

Proposed Reductions Result From Redirection of Environmental License Plate Fund. The department has provided no analytical justification for the proposed reductions. Instead, our review shows that the reduction was proposed in order to free up funds to backfill support of the vegetation management program. This is because the Resources Agency determined that vegetation management—which has been funded from the Environmental License Plate Fund (ELPF) in recent years—no longer should be supported by the ELPF.

We think it is appropriate to shift funding for vegetation management from ELPF to some other fund source. This is because, as we indicated in the Crosscutting Issues section of this chapter, the ELPF is designated for purposes related to the protection of natural and ecological areas and fish and wildlife habitat, while the primary purpose of most vegetation management is to prevent high intensity fires through the reduction of wild-life fuels. The department’s proposal to redirect fire protection funds to vegetation management would provide a total of \$2.5 million for vegeta-

tion management in 1997-98. This is a reduction of \$727,000 (23 percent) in vegetation management from the current year.

Proposed Reduction in Fire Protection Will Likely Not Provide Net General Fund Savings. Our review indicates that the proposed reductions in fire protection will likely not result in net savings to the General Fund. Specifically:

- **Conservation Camp Crews—\$1.5 Million.** In cooperation with the California Department of Corrections (CDC), CDFFP operates 33 conservation camps that house inmate crews. Under the supervision of CDFFP fire captains, conservation camp crews help fight wildfires and other emergencies, and do resource management and community work. The department proposes to eliminate 14 conservation camp crews out of the current 181 available. This will (1) reduce the availability of crews for firefighting and (2) likely result in increased costs for CDC, which we estimate to be about \$750,000, to provide custody for the inmates. In 1996-97, the Legislature rejected a similar proposal to reduce the number of camp crews, over concern that the reduction would adversely impact initial attack.
- **Unallocated Reduction—\$280,000.** The department indicates that it may implement the proposed unallocated reduction by reducing expenditures for telecommunications. However, the department *already* faces a backlog of \$32.6 million in replacing telecommunications equipment—such as fire engine radios and portable radios—that has exceeded its useful life. In past years, the department has indicated that the deterioration of its telecommunications system posed a threat to its emergency response capabilities, and that failure to provide adequate funding for telecommunications replacement would result in a loss of command and control over emergency resources in the state.

Reduction in Vegetation Management Is Inconsistent With Prefire Management Initiative. Our review also indicates that the proposed reduction in vegetation management is inconsistent with the department's prefire management initiative that began in 1995-96, which is an effort to prioritize projects to reduce fire hazards. (We discuss the initiative in more detail below.) Currently, the department treats about 45,000 acres annually to reduce their fire hazard, primarily through prescribed burning, chemical treatment, and manual clearing of vegetation. Through the initiative, the CDFFP has identified a need to treat 65,000 acres annually. However, the proposed reduction in vegetation management funding will actually reduce the number of acres the department is able to treat with its own funds, and require the department to seek additional funding from other parties (potentially landowners and local agencies).

Conclusion. In our view, any General Fund savings realized through the department's proposed reductions in fire protection and vegetation management will most likely be short-lived. This is because to the extent the proposed reductions reduce (1) initial attack resources—such as conservation camp fire crews and telecommunications equipment—and (2) resources to reduce fire hazards through vegetation management, this will likely result in additional General Fund costs for subsequent emergency fire suppression in the long term. In addition, the General Fund budget for CDC will also bear any additional costs associated with inmate custody at conservation camps due to the reduction in fire crews.

Results Should Justify Expansion Of Prefire Management Initiative

We recommend that the Legislature reduce \$839,000 and nine positions requested to expand the department's prefire management initiative because the department has not demonstrated that the initiative merits expansion. (Reduce Item 3540-001-0001 by \$839,000).

The CDFFP's current-year budget includes significant funding for its fire control (\$232.6 million), fire prevention (\$9.1 million), and vegetation management (\$3.2 million) programs. The budget for 1996-97 also includes \$800,000 for CDFFP to develop and implement a new prefire management initiative, which is an effort to better coordinate these three programs in order to reduce wildland fire costs and losses to the public. A key component of the initiative is to prepare prefire management plans that identify and prioritize projects to reduce fire hazards through various means such as prescribed burning and vegetation clearing. The department began the initiative in 1995-96 in three test ranger units, at a cost of \$453,000. The CDFFP expected to complete prefire management plans in those ranger units by July 1997, and implement the plans in 1997-98. The current-year funding will allow the department to extend implementation of the initiative to nine ranger units.

Budget Requests Significant Expansion. The budget requests \$839,000 to further expand the initiative in 1997-98 to six additional ranger units. This would bring total funding in 1997-98 to \$1.6 million for implementation in 15 ranger units.

Continued Funding Should Be Based on Results to Date. The *Supplemental Report of the 1996 Budget Act* required the department to submit a report by January 1997 to the Legislature on the results of the prefire management initiative to date. In its report, the CDFFP indicated that it has developed a draft prefire management plan for one ranger unit, and is currently developing similar plans for five other units. However, it is not clear whether the initiative will ultimately reduce wildland fire costs

and losses. In part, this is because the department has not yet begun to implement the draft plans.

We think that expanded implementation of the initiative should be based on the initiative's success in coordinating CDFFP's fire control, fire prevention, and vegetation management programs to reduce these costs and losses. Without data indicating that the initiative is achieving its goals (that is, reducing costs and losses due to fires), and without assurance that the proposed reduction in vegetation management will not impact the initiative's long-term effectiveness, we find no cost-benefit basis for expanding the initiative in 1997-98. Accordingly, we recommend deletion of the funds requested to expand implementation of the initiative.

Funding Proposed for Watershed Initiative

The budget requests \$391,000 from the General Fund for the California Department of Forestry and Fire Protection to implement the Governor's Watershed Initiative. We discuss this proposal in the Crosscutting Issues section of this chapter.



DEPARTMENT OF FISH AND GAME (3600)

The Department of Fish and Game (DFG) administers programs and enforces laws pertaining to the fish and wildlife resources of the state. The Fish and Game Commission sets policies to guide the department in its activities, and regulates the sport taking of fish and game. The DFG currently manages about 160 ecological reserves, wildlife management areas, habitat conservation areas, and interior and coastal wetlands throughout the state.

The budget proposes total expenditures of \$190.6 million from various sources for support of the DFG in 1997-98. This is an increase of \$23.8 million, or 14 percent, from estimated current-year expenditures.

Expansion of Natural Community Conservation Program Needs Legislative Policy Review

We recommend that increased funding of \$16 million for the Natural Community Conservation Planning program be denied because the policy of the state's funding land acquisition for the program ought to first be determined by the Legislature statutorily. (Reduce reimbursements to Item 3600-001-0200 by \$1.6 million, reduce Item 3640-101-0262 by \$1.6 million, reduce Item 3640-301-0262 by \$6.4 million, reduce Item 3760-301-0001 by \$5 million, and reduce Item 3760-301-0545 by \$3 million.)

Chapter 765, Statutes of 1991 (AB 2172, Kelley)—known as the Natural Community Conservation Planning (NCCP) Act—authorized the department to assist public and private agencies in preparing and implementing natural community conservation plans. These plans are intended to facilitate economic development, while also protecting wildlife and plant species and their habitat. The budget proposes \$1.5 million—about the same level as in the current year—for the department to continue these functions of the program.

The NCCP Pilot Program—Success Not yet Established. The administration initiated the NCCP program in southern California in 1991 as a

pilot program, and indicated that it would be expanded statewide if it proved successful. The program has received support from a range of entities including local government, developers, and environmental groups, and the department has made significant progress in developing plans. However, the administration has not yet proposed to expand the program to other parts of the state. This is because, in part, the program's ultimate success is still uncertain.

Program's Scope Significantly Expanded in Current Year. In 1996-97, the program's scope and the role of the state in the implementation of NCCP has expanded significantly. Specifically, the current-year budget included \$600,000 for grants and \$4.4 million for land acquisition by DFG and the Wildlife Conservation Board (WCB).

Budget Request. For 1997-98, the budget proposes to further increase the level of state funding for NCCP implementation to a total of \$1.6 million for local assistance grants and \$14.4 million for land acquisition for various departments. Figure 15 shows the proposed expenditures.

Figure 15		
Natural Community Conservation Planning Land Acquisition and Local Assistance Grants 1997-98		
(In Millions)		
Department and Purpose	Fund Source	Amount
Department of Fish and Game • Local assistance grants	Reimbursements from Habitat Conservation Fund	\$1.6
Wildlife Conservation Board • Land acquisition	Habitat Conservation Fund	6.4
State Coastal Conservancy • Land acquisition	General Fund	5.0
State Coastal Conservancy • Land acquisition	River Parkway Subaccount, Proposition 204	3.0
Total		\$16.0

Analyst's Review. Based on our review, we conclude that Chapter 765 does not authorize the state, as part of its role in NCCP implementation, to provide local assistance grants or acquire land. Furthermore, as we discussed in our *Analysis of the 1996-97 Budget Bill*, we have the following concerns with the department's proposal.

- **Proposed Costs Are the Tip of the Iceberg.** The ultimate state costs of the administration's proposal will be significant—potentially in the hundreds of millions of dollars. The DFG estimates a *state* share of \$97 million for land acquisition to implement just *one* NCCP in San Diego County.
- **Geographic Scope of Program Restricted.** The administration indicates that it will give San Diego County priority for land acquisition and grant funding because the county has progressed the furthest in developing its NCCP. It is not clear when and whether other parts of the state (that are not currently in the pilot program) will be eligible for such funding.
- **Future Funding Sources Unspecified.** The administration's proposal for state involvement in preserve acquisition and management will require significant levels of funding. However, the total potential state cost is not known at this time, and the department has not identified funding sources for the program on an ongoing basis.

Criteria for Allocating Funds for Endangered Species Conservation. The budget requests land acquisition funds not only for implementation of the NCCP program in southern California, but for implementation of *other* plans to preserve endangered and threatened species and their habitats. For example, the budget for WCB requests \$1 million from the Habitat Conservation Fund to implement the Kern County Multiple Species Habitat Conservation Plan. (Please see WCB, Item 3640.)

We think that these requests for state funding for the acquisition, restoration, and management of land to protect endangered species raise significant policy issues for the Legislature in determining the state's overall role in conserving and managing its endangered species. Below we suggest criteria that the Legislature might use in determining that role.

- **Consistency With State's Overall Resources Goals.** In our *Analysis of the 1996-97 Budget Bill*, we recommended the development of a plan to identify the state's short-term and long-term goals relative to conservation, management, and enhancement of its land resources. The amount of state funding provided for conservation of endangered species should be consistent with the state's overall resources goals and their relative priority.
 - **Equitable Sources of Funds.** Conservation of endangered species benefits a range of interests, including the general public, private developers, landowners, and local governments. Accordingly, funding for endangered species conservation should be provided equitably from a range of sources, including the General Fund,
-

special funds, bond funds, and nonstate sources such as local and federal agencies, private landowners, developers, and nonprofit organizations.

- ***Equitable and Efficient Distribution of Funds.*** Funding should be *distributed* equitably and efficiently, based on established criteria such as the number of endangered species in a given jurisdiction, the current threat of those species becoming extinct, and the feasibility of ensuring their viability. The state should also seek out opportunities to leverage funding provided for endangered species conservation to accomplish its *other* policy goals. For example, these might include facilitating such economic activities as housing development, timber harvesting, and commercial fishing.
- ***Coordination With Other Mechanisms for Resource Conservation.*** In addition to providing funding, the state has a range of other tools at its disposal for conserving endangered species. These include regulatory processes (such as review of timber harvest plans), statutory requirements for the protection of species and for planning (such as the requirement that local agencies develop General Plans), and state tax policies and laws. State funding for endangered species conservation should be coordinated with the state's implementation of these related laws, programs, and policies.

Endangered Species Pilot Program Not Funded in Budget Year. In 1996, the Legislature took steps to better define the state's role in the conservation of threatened and endangered species. For example, Chapter 972, Statutes of 1996 (AB 137, Olberg) requires the Governor to establish a commission to study the economic impact of protecting threatened and endangered species and report its findings by December 31, 1997. Additionally, Chapter 974, Statutes of 1996 (AB 350, Bustamante) requires DFG—if funds are appropriated for this purpose—to develop recovery strategies for five threatened or endangered species, by January 1998, and implement those strategies upon approval by the Fish and Game Commission.

Our review indicates that the department is unlikely to meet Chapter 974's statutory deadline. This is because, although the costs to develop and implement recovery strategies could be in the millions of dollars annually, DFG has (1) requested *no* additional funding to implement Chapter 974 in the budget year and (2) submitted no proposal to redirect funds.

Request Raises Significant Policy Issues. In our view, Chapter 972 and Chapter 974 represent important steps towards defining the appropriate

state role in funding the conservation of endangered and threatened species. However, the administration's proposal to expand the state's role in acquiring land and providing grants to implement the NCCP program in southern California and provide funds for implementation of other plans (such as in Kern County) to protect species raises significant issues *outside* the scope of Chapter 972 and Chapter 974 which the Legislature should review. Pending such review, and statutory direction on how the NCCP program should proceed, we recommend that the request for \$16 million for local assistance and land acquisition for the NCCP program be denied. (Please see conforming write-ups in Item 3640 and Item 3760.)

Schedule Proposition 204 Funds at Reduced Level

We recommend that, in order to facilitate legislative oversight, a new budget Item 3600-001-0405 be added to provide \$8 million to pay for the state's share of costs associated with implementation of the Central Valley Project Improvement Act. (Add new budget Item 3600-001-0405 for \$8 million.)

Background. The federal Central Valley Project Improvement Act (CVPIA) of 1992 required the Secretary of the Interior to take specified actions relating to restoration of fish and wildlife in the Central Valley, including the development of a program to double, by 2002, the natural production of anadromous fish in Central Valley rivers and streams. (Anadromous fish include steelhead, salmon, and sturgeon.) The CVPIA specifies the projects and actions to be taken and requires the state to pay a share of their costs. Proposition 204, approved by the voters in November 1996, created the Central Valley Project Improvement Subaccount (CVPIS), and provided \$93 million to be allocated by the State Controller to DFG and the Department of Water Resources to pay the state's share of these costs.

Budget Request. The Governor's budget proposes to allocate \$10.4 million from CVPIS in 1997-98 to DFG to restore Central Valley fish and wildlife. These funds are not included in the budget bill. This is because the funds are proposed to be continuously appropriated to DFG. We have the following concerns with the budget request. (We discuss the use of Proposition 204 funds in the Crosscutting Issues section of this chapter.)

- ***Some Expenditures Not Required by CVPIA.*** At the time this *Analysis* was prepared, DFG was able to identify only \$8 million in expenditures that are required under the CVPIA. The remaining \$2.4 million will be spent for other fish and wildlife restoration actions. However, because funds in the CVPIS are earmarked

under Proposition 204 for only CVPIA-required state costs, the proposal to use CVPIS funds for other restoration activities is inconsistent with Proposition 204.

- Expenditures Should Be Appropriated Through Budget Bill.** As we discuss in the Crosscutting Issues section of this chapter, we think that Proposition 204 bond funds proposed for expenditure for state support in 1997-98 should be appropriated through the budget bill. This is because scheduling these expenditures in the budget bill will provide the Legislature with greater control over how funds are spent—consistent with the requirements of Proposition 204—and better ensure that the objectives of Proposition 204 are accomplished.

Recommendation. In order to further legislative oversight, we recommend creation of a new budget Item 3600-001-0405 for \$8 million, to be scheduled in the budget bill for Central Valley fish and wildlife restoration as indicated in Figure 16.

Figure 16	
Department of Fish and Game	
Central Valley Project Improvement Act Requirements	
Estimated State Cost	
(In Millions)	
Action	1997-98
Anadromous Fish Doubling Program	\$2.0
Reduce losses of anadromous fish from diversions	2.0
Install temperature control device at Shasta Dam	1.0
Participate in mitigation for Glenn-Colusa Irrigation District's Hamilton City Pumping Plant	1.0
Replenish spawning gravel and restore riparian habitat below Shasta, Folsom, and New Melones reservoirs	0.5
Construct seasonally operated barrier at head of Old River	0.5
Monitor fish and wildlife resources in the Central Valley	0.5
Restore striped bass fishery in the Bay Delta estuary	0.5
Total	\$8.0

Some Expenditures Can Be Shifted From Fish and Game Preservation Fund to Proposition 204

We recommend that \$196,000 requested for monitoring of Central Valley fish populations be shifted from the Fish and Game Preservation Fund Nondedicated to Proposition 204 funds (Central Valley Project Improvement Subaccount), because this is an appropriate use of Proposition 204 funds. (Reduce Item 3600-001-0200 by \$196,000 and increase Item 3600-001-0405 by \$196,000.)

The budget requests \$783,000 for DFG to assist the U.S. Fish and Wildlife Service in monitoring Central Valley fish populations as required by the CVPIA. This amount includes \$587,000 from the CVPIS (as shown in Figure 15 above) and \$196,000 from the nondedicated account of the Fish and Game Preservation Fund (FGPF-ND). The goal is to assess the biological results and effectiveness of restoration actions required by the CVPIA.

Proposition 204 Is Appropriate Funding Source. Our review indicates that CVPIS is an appropriate fund source to support the monitoring program. This is because development of the monitoring program is one of the actions required by the CVPIA. While FGPF-ND can also be used to fund the activity, DFG has provided no justification for why *all* costs of the monitoring program should not be paid from the CVPIS.

Recommendation. We recommend that \$196,000 requested for monitoring of Central Valley fish populations be shifted from the FGPF-ND to CVPIS (Proposition 204) funds, as this expenditure appears to be an appropriate expenditure of those Proposition 204 funds and it would free up FGPF-ND funds for other legislative purposes.

Program Needed to Evaluate Delta Water Diversions

We recommend approval of \$700,000 in Proposition 204 funds for DFG to place screens on delta water diversions and restore habitat to improve the long-term viability of delta fish species. We further recommend adoption of supplemental report language directing Department of Fish and Game (DFG) to develop a program, in cooperation with federal agencies, to evaluate delta water diversions and prioritize the screening of those diversions to maximize the effectiveness of screening in protecting fish species.

The budget requests \$700,000 in Proposition 204 funds (Bay-Delta Agreement Subaccount) for DFG to place screens on water diversions and improve fish habitat in the Sacramento-San Joaquin Delta. The goal is to improve the viability of delta fish species, including both threatened and

endangered species (such as winter run chinook salmon and delta smelt) and recreational species (such as striped bass).

Screening of Water Diversions is a Priority for Improving Delta Fish Survival. There are an estimated 1,800 unscreened water diversions in the delta providing water for irrigation and municipal and industrial uses. These unscreened diversions trap fish and are one of the causes of the decline in various delta fish species. The Bay-Delta Agreement Subaccount of Proposition 204 provides a total of \$60 million for projects to protect fish and wildlife species in the delta, including the screening of the unscreened diversions, as part of a broad approach to restoring the delta ecosystem. DFG indicates that it will screen ten diversions in 1997-98 out of the 1,800 that are currently unscreened.

Proposed Mitigation Is Not Based on Established Program. While DFG's proposal to screen water diversions and improve fish habitat in the delta is consistent with the requirements of Proposition 204, we are concerned that the department has not taken steps to ensure that the screening of delta water diversions accomplishes the long-term objective of restoring fish species. This is especially so given the slow rate—at proposed funding levels—at which delta diversions will be screened.

Specifically, the State Water Resources Control Board recommended in 1995 that DFG cooperate with federal agencies to develop a program to (1) evaluate the impact of delta water diversions on fish species and (2) establish priorities accordingly for screening diversions—either by state, federal, or local agencies or by local landowners—to maximize the effectiveness of screening. However, our review indicates that DFG has not followed this recommendation and has not established such a program.

Recommendation. We recommend that \$700,000 requested from Proposition 204 bond funds to screen delta water diversions and restore habitat be approved, because these proposed expenditures are consistent with the requirements of Proposition 204. However, to ensure that the department's long-term approach to screening delta water diversions is coordinated with federal agencies and is effective, we further recommend adoption of the following supplemental report language:

It is the intent of the Legislature that the Department of Fish and Game institute a program to evaluate the impact on fish species of water diversions within the Sacramento-San Joaquin Delta and establish priorities for screening or relocating those diversions, as recommended by the State Water Resources Control Board in its May 1995 Environmental Report Appendix to the Water Quality Control Plan for the Bay-Delta. The department shall seek the cooperation of the U.S. Fish and Wildlife Service and the National Marine Fisheries Service in instituting the program.

Striped Bass Funding Proposal at Odds With Ecosystem Approach to Restoring Delta

We recommend that \$267,000 requested from the Striped Bass Stamp Dedicated Account for Department of Fish and Game to stock striped bass in the Sacramento-San Joaquin Delta be deleted because (1) the department's proposal is inconsistent with its goal of restoring the delta ecosystem and (2) the department should evaluate the effectiveness of measures to improve delta habitat before increasing striped bass stocking. (Reduce expenditures from the Striped Bass Stamp Dedicated Account in Item 3600-001-0200 by \$267,000.)

Budget Request. The budget requests \$267,000 from the Striped Bass Stamp Dedicated Account in the FGPF for DFG to expand stocking of striped bass in the Sacramento-San Joaquin Delta. Although the department has stocked striped bass in the past, it has reduced its efforts in recent years due in part to funding limitations. The budget request is the first year of a proposed program to significantly *expand* DFG's efforts to stock striped bass. Specifically, the department indicates that in 1997-98 it will stock 500,000 striped bass (a 300 percent increase over the current-year level of stocking) and in subsequent years, it will request additional funds to increase the number of striped bass stocked in the delta to three million annually.

Analyst's Review. Our review shows that the department's proposal (1) is at odds with the efforts of state and federal agencies—including DFG—to improve the quality of the delta ecosystem and protect endangered and threatened species there and (2) has not been established as a cost-effective approach to restoring the long-term viability of the striped bass populations in the delta. Specifically:

- **Adverse Impact of Striped Bass on Threatened and Endangered Fish.** The National Marine Fisheries Service and the US Fish and Wildlife Service have expressed concern about predation of striped bass on threatened and endangered fish in the delta including the winter-run chinook salmon and the delta smelt. One of the primary purposes of the federal CVPIA and Proposition 204 is to provide funds to restore the delta ecosystem to ensure the survival of these species.
- **Past Efforts Have Not Restored Striped Bass Population.** As discussed above, water diversions in the delta have a significant adverse impact on populations of delta fish including striped bass. Along with other factors such as illegal fishing and reduced water flows, these diversions have limited the effectiveness of DFG's previous efforts to restore striped bass. For example, from 1981

through 1991, DFG stocked over 8.2 million striped bass in the delta—an average of about 750,000 per year. According to DFG, due in large part to the effect of water diversions, these past efforts have not restored the striped bass population or even stopped the decline in striped bass abundance.

Recommendation. In our view, it makes little sense to significantly expand the state's effort to restore the striped bass population in the delta through increased stocking when (1) stocking is at odds with current efforts of state and federal agencies to *protect* endangered and threatened delta fish species and (2) the department has not yet developed an effective approach to addressing the factors—such as delta water diversions—that limit striped bass population. Accordingly, we recommend that funding to increase stocking of striped bass be deleted. The Legislature should evaluate future proposals to increase the striped bass population in light of (1) the consistency of the proposal with the state's efforts to protect other delta species—including endangered and threatened species—and (2) the likely effectiveness of the proposal in increasing the long-term viability of striped bass.

Some Dedicated Funds Can Be Used More Flexibly

We recommend adoption of budget bill language requiring that funds remaining in reserve in the Striped Bass Stamp Dedicated Account, Fish and Game Preservation Fund, at the end of 1997-98 be transferred to the nondedicated account of the FGPF, if legislation reestablishing the dedicated account is not enacted. This will increase the Legislature's flexibility in appropriating the funds. (Adopt budget bill language in Item 3600-001-0200 for transfer of funds from the Striped Bass Stamp Dedicated Account, FGPF, to the FGPF-ND.)

Chapter 1140, Statutes of 1990 (SB 2149, McCorquodale) extended the sunset date on requiring a striped bass stamp for fishing striped bass from January 1991 to January 1995. Under Chapter 1140, funds from the stamp are deposited in the Striped Bass Stamp Dedicated Account in the FGPF, and are available for the preservation and enhancement of striped bass. The Governor's budget estimates that available resources in the dedicated account total \$1.7 million for 1997-98. (The budget requests a total of \$966,000 from the Striped Bass Stamp Dedicated Account, FGPF for support of the department in 1997-98.)

The department indicates that it will seek legislation in 1997 to reestablish the Striped Bass Stamp and the Striped Bass Stamp Dedicated Account in the FGPF. In the event that such legislation is not enacted, we think that the funds remaining in the dedicated account should be trans-

ferred to the FGPF-ND, as this would provide the Legislature with greater flexibility in spending those funds for its fish and game priorities. Accordingly, we recommend in Item 3600-001-0200, adoption of the following provisional language:

All funds remaining in reserve in the Striped Bass Stamp Dedicated Account in the Fish and Game Preservation Fund (FGPF), as of June 30, 1998, shall be transferred to the nondedicated account in the FGPF and shall be available for appropriation by the Legislature, if legislation reestablishing the Striped Bass Stamp is not enacted by that date.

Dedicated Account Should Support Upland Game Bird Program Expansion

We recommend that \$1 million requested for upland game bird restoration be funded from the appropriate dedicated account of the Fish and Game Preservation Fund, as adequate funds are available in that account. (Shift \$1,028,000 in Item 3600-001-0200 from the FGPF-ND to the Upland Game Bird Heritage Dedicated Account in the FGPF.)

The budget requests \$1 million from the nondedicated account in the FGPF for expansion of the upland game bird program. Specifically, the department proposes to expand public communication, develop habitat, and increase public opportunities for hunting upland game birds (such as wild turkey and grouse).

Reserves Are Available in Dedicated Account. The upland game bird program is supported by revenue generated from the sale of an upland game bird stamp, which is required for hunting upland game birds. These revenues are deposited in the Upland Game Bird Heritage Dedicated Account. Our review indicates that there is a significant reserve of \$1.3 million projected in the fund at the end of 1997-98. In our view, these funds are a more appropriate source of funding for expansion of the upland game bird program than the FGPF-ND. Appropriating \$1 million for the proposed restoration activities would still leave a reserve of \$227,000.

Accordingly, we recommend that \$1 million requested to expand the upland game bird program be funded from the appropriate dedicated account of the FGPF instead of the nondedicated FGPF.

Federal Funds Are Overbudgeted

We recommend a reduction of \$4.2 million in the department's federal funds expenditure authority, as these funds are unlikely to materialize given the department's history of overestimating federal funds. (Reduce Item 3600-001-0890 by \$4.2 million.)

The DFG receives federal funds for programs including sport fish restoration and management of recreational hunting. For 1997-98, the budget requests \$29.1 million in federal funds.

Department Has Consistently Overbudgeted Federal Funds. Our review indicates that DFG is unlikely to require this level of federal funds. This is because in recent years, the department has consistently requested federal funds spending authority that exceeded the level of federal funds *available* to the department. To adjust for this overbudgeting in future years, the department plans to revise its methodology for budgeting for federal funds.

Recommendation. Based on a five-year average of the department's expenditures of federal funds from 1991-92 through 1995-96, we estimate that the level of federal funds available to the department in 1997-98 will be about \$24.9 million, or \$4.2 million *less* than the amount proposed in the budget. Accordingly, we recommend a reduction of \$4.2 million in the department's federal funds expenditure authority. This would provide a more accurate estimate of the amount of federal funds that the department is likely to expend in 1997-98. If during the budget year the department receives additional unanticipated federal funds, it can submit a request to the Legislature to spend those funds in accordance with Section 28.00 of the budget act.

Funding Proposed for Watershed Initiative

The budget requests \$1.5 million from the General Fund for Department of Fish and Game to implement the Governor's watershed initiative. We discuss this proposal in the Crosscutting Issues section of this chapter.



WILDLIFE CONSERVATION BOARD (3640)

The Wildlife Conservation Board (WCB) acquires property in order to protect and preserve wildlife and provide fishing, hunting, and recreational access facilities. The board's ongoing support activities are financed primarily through appropriations from (1) the Habitat Conservation Fund (HCF, established by the California Wildlife Protection Act of 1990—Proposition 117); and (2) the Wildlife Restoration Fund, which annually receives \$750,000 in horse racing license revenues.

The budget proposes \$36.3 million for support of the board and its programs in 1997-98, a reduction of \$1.8 million (or 4.8 percent) below current-year estimated expenditures. The reduction reflects mainly lower capital outlay expenditures by the board.

Delete Funding for Unspecified Capital Outlay Projects

We recommend that the requests for \$760,000 from the Environmental License Plate Fund and \$936,000 from the Public Resources Account for capital outlay be denied because the board has provided no information on the purposes of the proposed expenditures. (Delete Item 3640-301-0140 and Item 3640-301-0235.)

The budget requests \$760,000 from the Environmental License Plate Fund (ELPF) and \$936,000 from the Public Resources Account for capital outlay. According to the Department of Finance, no specific projects have been identified for funding with these proposed appropriations. We see no reason why the board should have discretion over these amounts for unspecified uses. Doing so reduces the Legislature's oversight of these funds and limits the use of these amounts for legislative priorities. Accordingly, we recommend that the funds be deleted.

Expansion of Natural Community Conservation Planning Program Needs Legislative Policy Review

We recommend that \$1.6 million requested for local assistance grants and \$6.4 million requested for land acquisition for the Natural Community Conservation Planning program be denied, because the policy of the state's funding land acquisition for the program ought to first be determined by the Legislature statutorily. (Reduce Item 3640-101-0262 by \$1.6 million, eliminate Provision 2 of Item 3640-101-0262, reduce Item 3640-301-0262 by \$6.4 million, and eliminate Provision 2 (a) of Item 3640-301-0262.)

Chapter 765, Statutes of 1991 (AB 2172, Kelley)—known as the Natural Community Conservation Planning (NCCP) Act—authorized the Department of Fish and Game (DFG) to assist public and private agencies in preparing and implementing natural community conservation plans. These plans are intended to facilitate economic development, while protecting wildlife and plant species and their habitat. As we discuss under the DFG (Item 3600), the budget is requesting significant increases in funding for NCCP-related activities—primarily to acquire land. Included in these requests are \$8 million to the WCB to acquire property (\$6.4 million) and to provide local grants (\$1.6 million) for land acquisition, land management, and plan implementation.

Consistent with our analysis of the requests for NCCP funding under Item 3600, we think that the Legislature ought to first determine statutorily whether the state should fund NCCP land acquisition and local assistance grants before funding is provided. Accordingly, we recommend that the \$8 million requested for WCB be denied.

Funding for Habitat Conservation Plan Implementation Also Needs Legislative Direction

We recommend that \$1 million requested for land acquisition to implement the Kern County Multiple Species Habitat Conservation Plan be deleted because the policy of the state's funding the implementation of habitat conservation plans ought first to be determined by the Legislature. (Reduce Item 3640-301-0262 by \$1 million and eliminate Provision 2 (h) of Item 3640-301-0262.)

The budget requests \$1 million from the HCF for the board to acquire land to assist in the implementation of the Kern County Multiple Species Habitat Conservation Plan. The plan's purpose is to protect endangered and nonendangered species habitats within a 3,000 square mile area; and reconcile conflicts between endangered species and development, agriculture, and energy production such as oil and gas.

Multiple species habitat conservation plans are similar to NCCPs, and represent local and regional efforts to plan for resource and species conservation in a more coordinated manner while facilitating development. While it proposes to assist in the Kern County efforts, the board does not propose to provide funding to assist in implementation of other habitat conservation plans currently being implemented in the state. Additionally, the criteria by which the board selected the Kern County Multiple Species Habitat Conservation Plan as meriting state funding are not clear.

As with the NCCP program, we think that providing state funds to implement locally developed habitat conservation plans such as the Kern County Multiple Species Habitat Conservation Plan raises policy issues for the Legislature about the appropriate role of the state in funding the implementation of these plans, and the appropriate sources and level of state funding. Pending legislative review and policy direction on these issues, we recommend deletion of the requested funds. (Please see our writeup on the NCCP program in Item 3600, DFG.)

Underfunding of the Habitat Conservation Fund Will Cause Deficiency in the ELPF

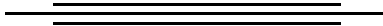
We recommend that the Legislature transfer \$2 million from the Waterfowl Habitat Preservation Account to the Habitat Conservation Fund (HCF) because the budget underfunds the HCF and the underfunding would in turn result in a deficit in the Environmental License Plate Fund. (Increase transfer from the Waterfowl Habitat Preservation Account to the HCF in Item 3640-011-0211 by \$2 million.)

As we discuss in the Crosscutting Issues section of this chapter, Proposition 117 established the HCF, and requires that the HCF receive annual revenues of \$30 million primarily for wildlife habitat acquisitions and improvements. To provide this funding level, Proposition 117 requires the transfer of (1) 10 percent of funds from the Unallocated Account, Cigarette and Tobacco Products Surtax Fund, and (2) additional funds from the General Fund to total \$30 million. Proposition 117 allows the Legislature to substitute for the General Fund the transfer of other appropriate funds.

Our review indicates that the administration's proposal to fund the HCF in 1997-98 would result in a deficiency in the ELPF of about \$1 million. This is because the administration proposes transfers into the HCF totaling only \$28 million—\$2 million short of the amount required by Proposition 117. Under the terms of Proposition 117, this shortfall would ordinarily be met by transferring funds from the General Fund to the HCF.

However, our review indicates that funding to cover this shortfall will be provided not by the General Fund but by the ELPF. Specifically, the proposed budget includes language (in Item 3640-311-0140) directing the Controller to transfer any funds necessary from the ELPF to the HCF in order to preclude a transfer from the General Fund to meet the requirements of Proposition 117. Our review further shows that transferring \$2 million from the ELPF to the HCF will result in a deficiency in the ELPF, given other 1997-98 ELPF expenditures proposed in the budget.

In order to both (1) meet the requirements of Proposition 117 and (2) avoid either a deficiency in the ELPF or a transfer from the General Fund to the HCF in 1997-98, we recommend that the Legislature transfer \$2 million from other appropriate special funds to the HCF. We think that an appropriate fund would be the Waterfowl Habitat Preservation Account in the Fish and Game Preservation Fund. This is because the account is one of the funds eligible for providing funds to the HCF. Moreover, the account is projected to have sufficient reserve in 1997-98 of \$2.5 million to permit such a transfer. Accordingly, we recommend an increase in Item 3640-011-0211 of \$2 million for transfer from the Waterfowl Habitat Preservation Account to the HCF.



CALIFORNIA COASTAL COMMISSION (3720)

The California Coastal Commission administers the state's coastal management program, pursuant to the 1976 Coastal Act. 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 72 local jurisdictions within the coastal zone. The Coastal Commission also administers the federal Coastal Zone Management Act as the designated state coastal management agency.

Study on Coastal Access Can Be Completed In-House

We recommend that \$100,000 from the General Fund requested by the commission to contract for the development of a coastal public access implementation plan be used instead to support commission staff who are qualified to perform this work.

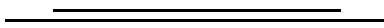
Budget Request. The commission has the authority to require a dedication of land, or an easement, in order to provide public access to the coast. Such a dedication is typically done as a condition of approval for coastal development permits. The budget requests \$100,000 from the General Fund for the commission to contract for development of a coastal public access implementation plan. The plan's purpose is to determine priorities for developing offers to dedicate land.

Lack of Funding Has Hampered Commission's Ability to Plan. According to the budget's supporting documents, a lack of staff funding at the commission has reduced its ability to (1) effectively and comprehensively track and monitor offers to dedicate land and (2) develop a state-wide plan for implementing coastal public access. Our review shows that the commission currently has staff qualified to develop the plan, but would require additional funding in 1997-98 for their support because the current source of support funding—federal funds—is likely to be exhausted by September 1997.

Recommendation. Given the availability of staff expertise, we think it is likely to be more cost-effective for commission staff to develop the access plan instead of contracting out for the service. This is particularly so since the commission already maintains a database of the location of offers to dedicate land and will be responsible—in conjunction with the State Coastal Conservancy—for implementing the plan once it is developed. Accordingly, we recommend that the funds requested for contracts be provided instead for staff support.

Agency Expenditures To Replace Coastal Commission Equipment Not Justified

We recommend deletion of \$500,000 requested from the General Fund—budgeted as reimbursements to the commission—for the Resources Agency to purchase data processing equipment and services and develop a system to track development permits for the commission because (1) a feasibility study report for the proposed system has not been approved, and (2) the agency has not justified why it is the appropriate entity to make these expenditures. Pending further review by the Department of Information Technology, we recommend instead that \$345,000 in General Funds be appropriated directly to the commission for information technology replacement and related staff support. We discuss this issue under the Secretary for Resources (Item 0540). (Reduce reimbursements to Item 3720-001-0001 by \$500,000.)



STATE COASTAL CONSERVANCY (3760)

The State Coastal Conservancy (SCC) 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.

Wetlands Mitigation Bank Proposal Needs Better Definition

We recommend a reduction of \$6.3 million requested from the General Fund for wetlands restoration in southern California and the San Francisco Bay Area because details of the proposal are lacking. Without those details, the Legislature cannot be assured that developers will pay the costs of restoration projects, thereby leaving the costs to the General Fund. (Reduce Item 3760-001-0001 by \$170,000 and reduce Item 3760-301-0001 by \$6,089,000.)

The budget requests \$6.3 million from the General Fund to establish wetlands mitigation banks and restore wetlands in southern California (\$5.8 million) and the San Francisco Bay Area (\$509,000), as indicated in Figure 17.

Wetlands Mitigation Bank. Traditionally, when a developer builds adjacent to or on top of wetlands, the developer is responsible for mitigating the impact of the development. Mitigation efforts can take the form of making improvements to the adjacent wetlands or developing new wetlands. The budget proposes a wetland mitigation “bank” as another way to mitigate development. Under this approach, developers would buy “credits” in a wetlands mitigation bank for wetlands they damage or destroy elsewhere as a result of a development project.

Figure 17		
Wetlands Mitigation Banks And Restoration 1997-98		
(In Thousands)		
	Southern California	San Francisco Bay Area
Support	\$139	\$31
Capital Outlay	5,611	478
Totals	\$ 5,750	\$509

The budget proposes \$6.3 million from the General Fund to restore three wetlands. Most of the funds (\$5 million, or 87 percent) are for one wetlands restoration project in southern California, likely located at upper Newport Bay in Orange County. The remaining funds are for two unspecified projects in San Francisco Bay. A developer who needs to mitigate a development could buy "credits" in the bank thereby offsetting the costs of the wetlands restoration projects. We have the following concerns with the request.

- **Developers Should Finance Wetlands Mitigation Banks.** The budget proposal assumes that developers will participate in a wetlands mitigation bank. However, instead of relying upon contributions from developers to initially finance the bank, it uses the General Fund. Since the developers will benefit from the bank (increased flexibility in meeting mitigation requirements), the developers should pay the cost of the bank. However, the SCC has not identified either (1) the share of funding that will be provided by developers, or (2) the process and schedule by which developers will be charged.
- **Other Details of Proposed Projects Are Undefined.** The conservancy has not yet defined a number of other details about how the proposed mitigation banks would operate. For example, it is not clear what role the state would play in the ongoing management of the restored wetlands, or how the costs of managing the wetlands will be funded. It is also not clear what criteria will be used in determining the number of credits that developers must purchase, or ensuring that the quality of the wetlands habitat developed will be comparable to that impacted by development.

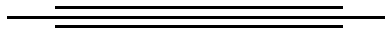
Recommendation. In our judgment, wetlands mitigation banking represents a mechanism for potentially facilitating development while improving the quality of mitigation. However, without a commitment that developers will pay for their share of wetlands restoration project costs, and without further definition of (1) the state's ongoing role in managing the projects and (2) how the banks will operate, we think that funding these projects is premature. Accordingly we recommend that \$6.3 million requested to restore three wetlands be denied.

Expansion of Natural Community Conservation Planning Program Needs Legislative Policy Review

We recommend that \$8 million requested for the conservancy to acquire and restore land for the Natural Community Conservation Planning program be denied because the policy of the state's funding land acquisition ought first to be determined by the Legislature statutorily. We discuss this issue under the Department of Fish and Game, Item 3600. (Reduce Item 3760-301-0001 by \$5 million and reduce Item 3760-301-0545 by \$3 million.)

River Parkway Program Lacks Coordinated Goals

We recommend that \$7 million requested from the River Parkway Subaccount be deleted because the program lacks coordinated goals and criteria to determine project priorities. We discuss the River Parkway Program in the Crosscutting Issues section of this chapter. (Delete Item 3760-301-0545 for \$7 million.)



DEPARTMENT OF PARKS AND RECREATION (3790)

The Department of Parks and Recreation (DPR) acquires, develops, preserves, interprets, and manages the natural, cultural and recreational resources in the state park system and the off-highway vehicle trail system. In addition, the department administers state and federal grants to cities, counties, and special districts that help provide parks and open-space areas throughout the state.

The state park system consists of 265 units, including 38 units administered by local and regional park agencies. The system contains approximately 1.3 million acres of land with 280 miles of ocean and 811 miles of lake, reservoir, and river frontage. During 1997-98, approximately 70 million visitor-days are anticipated at state parks and beaches operated by the department, about the same number as in 1996-97.

The budget proposes expenditures totaling \$209.6 million for departmental support and local assistance in 1997-98. This is a decrease of \$5.6 million, or 2.6 percent, from estimated current-year expenditures. Of the total expenditures, the budget requests \$186 million for support of the department, which is an increase of \$3.7 million, or 2 percent, from the estimated current-year level. In addition, the budget proposes a total of \$23.6 million (from special and federal funds) for local assistance grants. This is a decrease of \$9.2 million, or 28 percent, below estimated current-year spending for local assistance. This decrease is due to depletion of park bond funds. The budget also proposes \$32.5 million for capital outlay expenditures, including \$6.8 million from the General Fund. (Please see our analysis of those expenditures in the capital outlay section of the *Analysis*.)

The department is one of four departments selected by the administration for a pilot project in performance-based budgeting. (See writeup on the Department of Finance in the General Government chapter.)

Current-Year Revenue Shortfall Jeopardizes Reserve

The department's State Parks and Recreation Fund (SPRF) faces a potential revenue shortfall in the current year. A deficit will occur in the budget year without new fee revenues or expenditure reductions. We recommend that the department report at budget hearings on its expenditure priorities, its plans for generating additional revenue, and how it proposes to balance the SPRF.

The department relies heavily on the SPRF for its support. In the current year, SPRF will account for about \$81.3 million or 45 percent of total support expenditures, and is proposed to make up 44 percent of departmental support for 1997-98.

Department Faces Current-Year Shortfalls in SPFR Revenues. The bulk of funding for SPRF—about 65 percent for 1996-97—comes from state beach and park user fees. In the current year, the budget estimates that revenues from beach and park user fees will total \$52.5 million.

Our review shows that the department's revenue projection is not being borne out. The department now advises that to date, current year fee revenues are approximately \$1.6 million (3 percent) lower than anticipated. At this level, the SPRF will face a deficit at the end of the current year rather than having a reserve of \$1.2 million as initially estimated.

Fund Will Face Budget-Year Deficit Absent New Revenues or Expenditure Reductions. The budget projects revenues of \$52.9 million for 1997-98. It is likely that the department will face funding problems again in the budget year, as our review indicates that some of the anticipated revenues are subject to considerable uncertainty. Specifically, DPR expects to generate about \$585,000 in new revenues in 1997-98 by charging fees to school groups for entrance to state parks. This will require enactment of legislation, as the department does not currently have statutory authority to charge these fees. Without these additional revenues, SPRF will have a deficit in the budget year, instead of a reserve of \$457,000 as projected.

Options for Balancing SPRF. Given the revenue shortfalls, the Legislature and the department will have to find other means of keeping the SPRF in balance in 1996-97 and 1997-98. Specifically, the department could:

- ***Use Alternative Fund Sources.*** In recent years, the Legislature has made up SPRF fee revenue shortfalls by redirecting money from other funds, including the Motor Vehicle Fuel Account (funded from the gasoline tax). For 1997-98, the budget proposes to transfer an amount similar to the amounts transferred in past years.

- **Increase Revenues.** Another way of coping with revenue shortfalls is to increase revenues. The department reports that raising state park fee levels further would likely result in decreased revenues because of fewer people being willing to pay the increased fees. Other options that the department is currently developing for generating revenues include private sector sponsorships of selected parks, park merchandising programs and concessions.
- **Decrease Expenditures.** In the past, the department has managed to sustain budget cuts without a significant impact on services. Instead of decreasing expenditures for park operations, it has reduced costs largely by deferring outlays for maintenance. As a result, the department faces costs for deferred maintenance of over \$35 million. It does not appear feasible to continue to defer maintenance as this will likely result in degradation of park units and ultimately have an adverse impact on the department's ability to accomplish its mission.

Department Should Report on Expenditure Priorities. We recommend that the department report at budget hearings on its expenditure priorities, its plans for generating additional revenue, and how it proposes to balance the SPRF.

State Park System Faces Significant Long-Term Challenges

The state park system faces significant long-term challenges. These include addressing growing backlogs in deferred maintenance and equipment replacement, developing general plans for park units, and establishing stable long-term funding sources for the support of those units. We recommend adoption of supplemental report language requiring the department to report to the Legislature on (1) its long-term plan for addressing the backlog of deferred maintenance, (2) the lists of units which the department proposes to sell, privatize, or convert to local operations, and (3) its plan for adequately funding support of the remaining units.

The department faces a number of long-term challenges:

- **Backlogs In Deferred Maintenance and Equipment Replacement.** The department indicates that it has a backlog of deferred maintenance of about \$35 million. The budget requests \$3.6 million to address this backlog. The department also has a backlog in the replacement of equipment.
 - **Development of General Plans.** Current law requires DPR to prepare a General Plan for each park unit. These plans are required to define the proposed land uses, identify facilities and concessions
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for the park unit and address the operation of the unit and the management of its resources. The department has yet to complete plans for about 35 percent of its units. Without these plans, the department lacks established objectives to guide its long-term management and operation of the units.

- **Stable Funding Plan Yet to Be Developed.** The department is still developing a long-term plan to increase revenues, reduce operations thereby lowering costs, and operate more efficiently. Our review indicates that there is still uncertainty regarding elements of the department's plan, such as the generation of new revenues (as we discuss above).

Department Is Reviewing Options for "Right-Sizing." As one solution to meeting these challenges, the department is assessing ways to reduce its costs to operate the state park system through the following steps:

- Sell 34 units or properties of lowest statewide significance.
- Privatize and convert eight units to operation by a for-profit or nonprofit concessionaire.
- Convert five units to local operation.

In our view, this right-sizing of the state park system would help to ensure that the state administers only park units that are of statewide interest because of their natural resource or historic value. Park units that do not meet these criteria would be turned over to local or private operations where possible. Because of the fiscal condition of many local agencies, however, those agencies may not be able to take over state parks. Moreover, they may no longer find it in their interest to continue to administer *state* park units, and return the units to the state. As this occurs, the department's operating costs would increase.

Recommendation. The department faces long term challenges in accomplishing its mission. We think it is important that the Legislature consider how to provide stable, long-term funding support for the state park system, while exercising oversight over the department's efforts to address those challenges. Accordingly, we recommend adoption of the following supplemental report language:

The Department of Parks and Recreation shall submit a report to the Legislature by January 1, 1998 that contains the following information: (1) a long-term plan for addressing the backlog of deferred maintenance, (2) lists of units which the department proposes to sell, convert, and privatize, and (3) a plan for adequately funding support of the remaining units.

Based on this information, the Legislature will be able to assess whether the department's proposals are consistent with legislative priorities and direct the department to act accordingly.

Use of Bond Funds For Support Staff Is Not Justified

We recommend a reduction of \$2.4 million requested from the 1984 park bond fund for department support, because Department of Parks and Recreation has not justified the request. (Delete Item 3790-001-0722 for \$2,417,000.)

In past years, DPR has relied largely on bond funds to acquire, develop and restore property in the state park system, and to pay department support costs associated with those activities. For example, the Parklands Fund of 1984 provided DPR with \$145 million for acquisition, development, rehabilitation, and restoration of property in the state park system. For 1997-98, the budget requests \$2.4 million from the Parklands Fund of 1984 for department support.

The funds are not being requested to administer particular capital outlay projects. (In fact, the department does not propose to spend *any* 1984 park bond funds for capital outlay in 1997-98.) Instead, DPR indicates that it proposes to use the requested bond funds for general administrative activities, including the development of general plans and administrative activities necessary to acquire park properties and develop park projects. However, DPR has not provided any details on how it would spend the funds.

Without this information, we are unable to evaluate whether the request is consistent with the requirements of the 1984 park bond. Accordingly, we recommend a reduction of \$2.4 million from the Parklands Fund of 1984 for department support.

CALIFORNIA INTEGRATED WASTE MANAGEMENT BOARD (3910)

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

The budget proposes total expenditures of \$77 million from various funds (primarily special funds) for support of the CIWMB. This is a reduction of \$4.1 million, or 5 percent, from estimated 1996-97 expenditures. Major budget adjustments include (1) an increase of \$5.4 million for grants and contracts in the tire recycling program, and (2) reductions of \$2.2 million in various programs. The budget also proposes to reduce the transfer from the Integrated Waste Management Account (IWMA) to the Solid Waste Disposal Site Cleanup Trust Fund by \$2.8 million due to declining revenues in the IWMA.

No Room for Error in Integrated Waste Management Account

Essentially no reserve is projected in the Integrated Waste Management Account for either 1996-97 or 1997-98 to address potential revenue shortfalls or unanticipated expenditures. We recommend that the board establish a reserve for the budget year, and advise the Legislature on actions it intends to take to accomplish this.

The budget proposes that \$31.4 million (41 percent) of the CIWMB's total 1997-98 expenditures come from the IWMA. The account derives its revenues primarily from "tipping fees" based on the volume of waste disposed at landfills.

No Room for Error. The budget projects no reserve for economic uncertainty in the IWMA in the current year, and a negligible reserve of \$177,000 (or 0.6 percent of board support expenditures) in 1997-98. The purpose of a reserve is to address revenue shortfalls and unanticipated expenditures that may occur during the year. Lacking a reserve, the board would be required to reduce programs and/or increase fees to address these unanticipated events.

Revenue Projections Are Subject to Uncertainty, and Tended to Be Optimistic in the Past. The budget's estimates of tipping fee revenues for 1996-97 and 1997-98 are based on assumptions about the state's economy and the amount of waste diverted from landfills due to recycling and source reduction. Generally, the stronger the economy (particularly construction activity), the more waste that is generated and sent to landfills. Assumptions about the strength of the economy and the degree to which local jurisdictions will meet the statutory goal of 50 percent diversion of waste from landfills by 2000 are inherently uncertain. This uncertainty supports the need for a reserve, particularly if it is likely that revenues will be overestimated.

Our review of past projections of IWMA fee revenues finds that there is a history of overestimation. Figure 18 shows that actual revenues collected from tipping fees fell short of projections in a number of recent years.

Figure 18			
Integrated Waste Management Account			
Projected Versus Actual "Tipping Fee" Revenues			
(In Millions)			
	1992-93^a	1995-96	Estimated 1996-97
Projected	\$58.0	\$47.7	\$45.6
Actual/estimated	54.4	43.8	44.0
Overestimation	\$3.6	\$3.9	\$1.6

^a Tipping fee revenues deposited in the Integrated Waste Management Account and the Solid Waste Disposal Site Cleanup and Maintenance Account.

Proposal to Establish Reserve. We recommend that the board establish a reserve at the end of 1997-98 of at least \$1.1 million, or about 3 percent of proposed total expenditures from the IWMA. Given the degree to which revenues have been overestimated in the past, we think that a higher reserve would be preferable. However, achieving that level of reserve would necessitate more drastic actions.

The board has a number of options to establish this reserve. First, the board could raise the tipping fee administratively—from \$1.34 to \$1.40 per ton, which is the maximum fee authorized by Chapter 656, Statutes of 1993 (AB 1220, Eastin). Indeed, Chapter 656 provides that the tipping fee should be set at a level that includes “a prudent reserve.” Such an increase could raise about \$1.9 million in additional revenues for a reserve.

Alternatively, the board could reduce program expenditures. In our view, any reductions ought to be spread among programs in such a way as to minimize adverse impacts on the board’s program effectiveness. Thus, we think reductions ought to be in areas other than permitting, enforcement, site closure and remediation, and oversight of local enforcement agencies. Rather, expenditure reductions should be concentrated in administration, public education, and local assistance expenditures. Of course, the board could adopt a combination of raising “tipping fees” and program expenditure reductions to provide for a reserve.

We further recommend that the board advise the Legislature on the actions it plans to take to achieve that reserve. The Legislature can then take corresponding budget actions to ensure a reasonable reserve in the account.

Increase in Tire Recycling Program Not Justified

We recommend that \$5.4 million proposed to increase grants and contracts in the tire recycling program be rejected due to a lack of information on the purposes for which these funds would be allocated. (Reduce Item 3910-001-0226 by \$5.4 million.)

Tire Recycling Program Addresses Environmental Problem. Current law requires the CIWMB to implement a tire recycling program which provides grants, loans, and contracts to public agencies and businesses for research, business development, tire pile cleanup, and other specified purposes to reduce landfill disposal of used tires. According to the board, about 10 million of the 30 million used tires generated in the state each year are not recycled. Without recycling, tires are added to existing stockpiles. Currently, there are about 30 million waste tires in stockpiles which

pose substantial public health and safety concerns related to mosquito breeding and the risk of fires.

The tire recycling program has been funded by a disposal fee of 25 cents per tire levied when used tires are left for disposal at a seller of new or used tires. Beginning January 1997, Chapter 304, Statutes of 1996 (AB 2108, Mazzoni) replaces the disposal fee with a fee of 25 cents per new tire purchased. The budget projects that this change will raise an additional \$1.1 million in 1997-98.

Increase in Grants and Contracts Not Substantiated. The budget requests \$8.9 million for the tire recycling program in 1997-98, including an increase of about \$5.4 million for discretionary external grants and contracts. The board has provided essentially no details regarding how the requested increase in grants and contracts will be allocated among the various authorized purposes. Thus, the Legislature is not able to determine whether the grants and contracts will be used to clean up tire piles or for research on potential uses for recycled tires. Without this information, the Legislature is therefore not able to assess whether resources will be allocated in the most effective manner to achieve the desired recycling results, and whether the increase is justified. Accordingly, we recommend that the increase be deleted.

Late Decisions Reduce Legislative Oversight And Slow Program Implementation

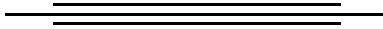
We recommend the Legislature adopt supplemental report language directing the board to submit, as part of its budget requests, a proposal indicating how tire recycling funds will be allocated.

Our review also shows that the board typically is late in making decisions about the allocation of tire recycling funds. For example, in 1995-96, the board did not make a decision on how to allocate funds for grants and contracts among different purposes until December 1995—six months into the fiscal year. As a consequence, grants and contracts were not awarded until late in the spring of 1996. In fact, one contract of \$750,000 to clean up waste tire piles, was not signed until June 26, 1996. No cleanup has yet to occur with these funds. Such late decisions on fund allocation result in delays in program implementation.

The board has advised us that it is taking steps to improve the speed of awarding contracts, and that it plans to allocate contract funds for 1997-98 by June 1997. While such an allocation date would be an improvement over past practices, it still does not provide any opportunity for the Legislature to assess the board's priorities for these funds as part of its review of the 1997-98 budget.

In order to ensure that the board plans ahead regarding the use of proposed tire recycling funds, and to ensure that the Legislature is apprised of the board's proposed allocation of these funds, we recommend that the Legislature adopt the following supplemental report language:

The California Integrated Waste Management Board, as part of its 1998-99 and future years' budget requests, shall provide a proposed allocation of funds for tire recycling grants, loans, and contracts among authorized purposes, including research, business development, and tire site cleanup and remediation, in order to assess the board's priorities for the tire recycling program.



STATE WATER RESOURCES CONTROL BOARD (3940)

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

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

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

The budget proposes expenditures of \$434 million from various funds for support of SWRCB in 1997-98. This amount is an increase of \$121.3 million, or 39 percent, over estimated current-year expenditures. A majority of the increase reflects \$90 million requested to pay more claims for the cleanup of underground storage tanks. Other major budget proposals include (1) \$54 million from Proposition 204 bond funds for grants and loans to local governments for various water quality projects and (2) an increase of \$7.5 million for water quality monitoring, planning, standard-setting, enforcement, and other "core regulatory" functions.

Coastal "Initiative" Is Really Coastal "Catch Up"

The budget proposes \$1.4 million for the board as part of a "coastal initiative." While we recommend approval, we find that the initiative mainly addresses serious delays in meeting existing statutory requirements.

The budget proposes \$1.4 million from the General Fund for the SWRCB's component of a statewide "coastal initiative." (The budget proposes a total of \$17.1 million in five state agencies for the initiative.) There are four elements to the board's component:

- \$500,000 to update the California Ocean Plan.
- \$450,000 to develop and adopt the Enclosed Bays and Estuaries Plan.
- \$300,000 to continue the Mussel Watch monitoring and assessment program.
- \$150,000 for environmental reviews and implementation of a plan for disposal of dredged materials in the San Francisco Bay region.

Our review shows that these elements do not reflect new programs or a new way of implementing existing programs. Rather, they mainly attempt to address existing statutory mandates that have been subject to serious delays in implementation.

1991 Review of Ocean Plan Continues Into 2000. Current law requires that the board's California Ocean Plan—which sets water quality standards to protect ocean waters—be amended based on triennial reviews. The last review, initiated in 1991, identified 24 high priority issues to be analyzed for potential plan amendments. For example, control of storm-water discharge was identified as a high priority issue. As of today, only two issues have been analyzed, resolved, and scheduled for board action in 1997. With the increased funding, the board anticipates reviewing and resolving the remaining issues by the end of 2000—nine years after the review was initiated.

Enclosed Bays and Estuaries Plan Will Take Ten Years to Develop. A statute enacted in 1989 required the board to adopt an Enclosed Bays and Estuaries Plan as a basis for setting water quality standards and waste discharger permit requirements to protect existing and future uses of bays and estuaries. The board has yet to adopt this plan. The budget proposes \$450,000 (to replace one-time funding provided in the current year) to continue development of the plan. The board anticipates that the plan will be ready for adoption by December 1999.

Mussel Watch Program Is Core Board Activity. The State Mussel Watch Program is a monitoring program that has served as an early detection of water quality problems for over ten years. Due to declining resources, the *1996-97 Governor's Budget* proposed to eliminate this program. However, the Legislature considered this program a high priority activity and redirected \$268,000 on a one-time basis to continue funding for the program. The budget proposes \$300,000 to continue the program in 1997-98.

Planning for San Francisco Bay Dredging Begun in 1990. The budget requests \$150,000 to continue a multiagency effort begun in 1990 to develop and implement a plan for the environmentally safe disposal of materials dredged from San Francisco Bay. The board anticipates ongoing expenditures of \$150,000 to coordinate the dredging operations with the disposal of the dredged materials once the plan is operating after the budget year.

Recommend Approval. Because the proposed amount of \$1.4 million will enable the board to continue work on activities and programs that have merit and have been delayed as a result of depletion of bond funds and reductions in other fund sources, we accordingly recommend approval of the request.

Unexpended Tank Cleanup Fund Appropriations Raise Concern

Despite thousands of underground tank cleanup claims awaiting a funding commitment, a substantial amount of the funds appropriated in the past for this purpose have gone unexpended. We recommend that the board report at budget hearings on steps it can take to speed up payment of claims and minimize unexpended appropriations.

The board's Underground Storage Tank Program has three major components: (1) permitting of underground tanks (containing hazardous substances, such as petroleum), (2) cleanup of leaking tanks under local oversight, and (3) payment of claims from owners who have cleaned up their leaking tanks.

Since 1983, about 30,000 out of up to 200,000 tanks have been found to be leaking. In these cases, regional water boards and, where authorized, local oversight agencies, order and approve cleanup plans and supervise tank cleanups. About 18,000 of the leaking tanks may still require cleanup action.

Tank owners may claim reimbursement for up to \$1 million of tank cleanup costs. Claims are paid from the Underground Storage Tank Cleanup Fund (USTCF), an "insurance" fund supported by a per gallon storage fee on petroleum tank owners. Based on the availability of funds, the state board issues "letters of commitment" to tank owners who have submitted claim applications. When an initial letter of commitment is issued, funds to pay the estimated amount of claims for past cleanup and six months of future cleanup are set aside in the USTCF. Commitments expire within a three-year period. Tank owners must submit invoices before receiving any reimbursement from the USTCF.

Substantial Appropriations Have Gone Unexpended. Our review finds that from 1992-93 (when the first reimbursement payments were made) through the current year, the Legislature has appropriated over

\$640 million to the board to make reimbursement payments. We also find that annually, the board has to revert significant amounts of funds set aside because actual claim payments were less than estimated. As a result, about \$85 million has been reverted from 1992-93 through the end of 1995-96. Because reversions are not made until the end of the year, the Governor's budget understates the current-year's reserve in the USTCF. In fact, we estimate the reserve to be \$107 million at the end of the current year—\$20 million more than estimated in the Governor's budget due to anticipated reversions.

According to the board, funds set aside are reverted to the USTCF when (1) actual costs of cleanup are less than estimated, (2) cleanups progress slowly and fail to be completed in the three-year period for which funds are committed, and (3) the cleanup cost estimate used in the letter of commitment included costs ineligible for reimbursement (for example, costs that are reimbursed by another source, such as insurance and litigation).

While it is reasonable to expect some funds to be reverted, setting aside too many funds for claim payments that are eventually not needed prevents other eligible claimants from being funded. There are currently about 6,000 tank owner claimants "waiting in line" to be issued a letter of commitment, representing potential claims of about \$900 million. For many owners of leaking tanks, a letter of commitment is necessary for them to finance the cleanup.

Requested Increase Warranted. The budget proposes \$244 million from the USTCF—an increase of \$90 million (58 percent) from the current year—to issue additional letters of commitment to pay claims in 1997-98. Given the large number of tank owners who have applied for, but have not been issued, a letter of commitment, we find that the requested increase is warranted.

Board Is Addressing Past Reversions of Appropriations. However, we also think that it is important that the board take actions to better estimate the amount of funds it needs to set aside for claims in order to allow for a more efficient use of money to facilitate a larger number of tank cleanups. The board indicated that it is taking steps in this direction, for example, by requiring that claimants submit a more detailed estimate of cleanup costs in their initial applications for funding. We recommend the board report at budget hearings on what other steps it plans to take to speed up payment of claims and minimize unexpended appropriations from the USTCF.



DEPARTMENT OF TOXIC SUBSTANCES CONTROL (3960)

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

The budget requests \$142.8 million from various funds for support of DTSC in 1997-98. This is an increase of \$6.2 million, or 5 percent, above estimated current-year expenditures. Major budget proposals include \$6 million from the General Fund for direct site cleanup and related staff costs at particular high-risk hazardous waste sites. The budget also proposes to reduce \$4.2 million in federal funds for cleanup of federal military bases and to shift \$2.8 million for the cleanup of illegal drug labs from the Hazardous Waste Control Account (HWCA) to the General Fund.

Railroad Accident Prevention and Immediate Deployment Fee Should Be Reinstated

We find that the Railroad Accident Prevention and Immediate Deployment program provides for an effective, coordinated government response to hazardous spills from surface transportation accidents. In order to continue funding for this program at an appropriate level, we recommend that the Legislature enact legislation to reinstate a fee levied on railroad and trucking companies that carry hazardous substances.

The Railroad Accident Prevention and Immediate Deployment (RAPID) program was established by Chapter 766, Statutes of 1991 (SB 48, Thompson) to coordinate the activities of a number of state agencies in preventing and responding to hazardous spills from surface transportation accidents. The DTSC has been designated as the lead agency for these

activities. The program was established after the disorganized state and local response to the train derailment at Dunsmuir in 1991 when about 20,000 gallons of pesticides spilled into the Sacramento River. Sixty government agencies from all levels of government responded to this accident, with no one taking charge and with little coordination of effort.

Fee Has Expired. Chapter 766 authorized a fee to be levied, until December 31, 1995, on railroad and trucking companies transporting hazardous materials to fund the program at up to \$3 million annually. While the statutory authority for this fee has expired, the requirements to coordinate technical support and respond to hazardous spills continue.

The budget proposes \$685,000 for the RAPID program in 1997-98 (\$535,000 from the remainder of collected fees and \$150,000 from cost recoveries). This amount is \$354,000, or 34 percent, less than estimated expenditures in the current year, and about \$2.3 million less than expenditures in prior years when the RAPID fee existed.

Program Has Been Beneficial. In the past, the RAPID fees have been used to provide emergency response equipment and training to state and local agencies, support staffing at DTSC to coordinate a statewide emergency response team, and provide technical assistance at hazardous spills. The benefit of the program was illustrated by the coordinated emergency response to the recent hazardous spill in the Cajon Pass (San Bernardino County), with RAPID team members on-site to provide an immediate scientific assessment of the chemical risks.

There appears to be an ongoing need to respond to hazardous spills from trains and trucks as evidenced by a 70 percent increase in these accidents over the last ten years. We find that the RAPID program has enabled emergency response agencies to provide an effective response to hazardous spills, resulting in savings due to better coordinated responses. Past expenditures for training and equipment have built up an “infrastructure” (in some, but not all, parts of the state) which will provide benefits over a number of years. Given this infrastructure, we estimate that an annual expenditure level of between \$1.5 and \$2 million would maintain an effective RAPID program over the next several years. This level of expenditure would provide training and equipment in local areas that lack this infrastructure, and continue the RAPID team to respond to spills.

The Polluter Should Pay. We recognize that the general public benefits from the RAPID program, and that equipment and training provided under RAPID have potential application in responding to emergencies other than surface transportation accidents. However, we think that it is appropriate that railroad and trucking companies that transport hazard-

ous materials fund the RAPID program, on the basis of the “polluter pays” principle discussed in our *Analysis of the 1992-93 Budget Bill* (please see pages IV-19 through IV-25).

RAPID Fee Should Be Reinstated. Accordingly, we recommend that the Legislature reinstate a fee levied on railroad and trucking companies that transport hazardous materials, in order to fund the RAPID program at a level of between \$1.5 and \$2 million annually. This funding level would result in fees that are about 35 percent to 50 percent lower than what they were when the fees sunsetted in 1995. We recommend that statute provide direction as to how the fee is to be allocated among railroad and trucking companies. In this regard, we think that there should be a sliding scale of fee rates based on a company’s size to prevent a disproportionate fee burden on small companies. Finally, we think that the department should continue to explore opportunities to increase the amount of emergency response costs that can be recovered directly from parties causing surface transportation accidents that result in hazardous spills. The department should advise the Legislature if additional statutory authority is necessary to facilitate these recoveries.

Expenditures for Direct Site Cleanup Will Increase in Future

Funding requirements for direct site cleanup will increase in future years. While the General Fund is an appropriate funding source for these expenditures, we provide some funding options for the Legislature’s consideration.

Department Is Involved in Direct Site Cleanup. In addition to overseeing the cleanup of hazardous waste sites by parties responsible for the contamination, the department is involved in the direct site cleanup at “orphan” sites. These are highly contaminated sites that present a major threat to public health and safety. In addition, these are sites where the parties responsible for the contamination cannot be found or are unable or unwilling to provide a timely cleanup. These sites include:

- ***National Priority List (NPL) State-Match “Orphan” Sites.*** NPL sites (Federal Superfund Program) are the most contaminated sites in the nation. Under federal law, states are required to provide a 10 percent match for cleanup costs and have ongoing operations and maintenance responsibility at these sites.
- ***State-Only “Orphan” Sites.*** These “State Superfund” sites are high-risk contaminated sites where there are no viable identified responsible parties to pay for the cleanup.

- **SB 923 “Orphan” Sites.** These sites are part of a pilot program established by Chapter 435, Statutes of 1994 (SB 923, Calderon) to expedite the voluntary cleanup of up to 30 hazardous waste sites, ten of which may have an “orphan share” (in which case the state will pay the orphan share’s cleanup costs).

The department also incurs direct cleanup expenditures at sites where the state is liable for creating the contamination. Currently, this includes major cleanup costs at the Stringfellow Federal Superfund Site in Riverside County (although the finding of state liability is being appealed) and the Casmalia Hazardous Waste Management Facility in Santa Barbara County.

Budget Proposal. The budget proposes about \$6.1 million (\$4.8 million General Fund, \$1.3 million HWCA) for direct site cleanup at the three types of “orphan” sites listed above. This is an increase of \$900,000 (17 percent) above estimated current-year expenditures. In prior years, bond funds supported most of the department’s direct site cleanup expenditures. However, these funds will be fully expended at the end of the current year. The budget also proposes \$12 million from the General Fund for cleanup at Stringfellow, and to reappropriate \$18.1 million from the General Fund to settle its liability at Casmalia.

State-Match Requirements Will Increase in Future Years. Of the \$6.1 million proposed for cleanup at orphan sites in 1997-98, \$2.7 million is to provide the state match for NPL site cleanup. The department has indicated that the state match required for these sites in 1998-99 will likely be close to \$11 million, and will vary between \$3 million and \$12 million annually over the next several years. Expenditures at other categories of orphan sites (state-only and SB 923 sites) in future years are anticipated at about the 1997-98 proposed levels (\$2.1 million and \$1.3 million, respectively).

How Should Direct Site Cleanup Be Funded? In cases where the state is responsible for contamination it created, the General Fund is the appropriate funding source for the cleanup. It is also appropriate to fund direct site cleanup at orphan sites using broad-based fund sources—including the General Fund and bond funds—given the broad public health and environmental benefits from cleaning up these sites and since, by definition, there is not a polluter to pay for the cleanup.

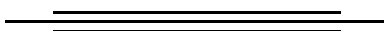
Funding Options. While the General Fund and bonds (if available) are appropriate funding sources for direct site cleanup, we think that there are other options that the Legislature may wish to consider. In particular, we think that it would also be appropriate to fund some of direct site cleanup from fees levied on parties that contribute to the hazardous

waste problem, provided that the fee burden is spread among a large base so as to minimize the economic impact on any individual party. For example, the Legislature could amend two existing fees that meet these requirements—the environmental fee and the lubricating oil fee—to raise additional revenues to meet funding needs for direct site cleanup.

The environmental fee (which supports the department) is levied currently on about 24,000 corporations with 50 or more employees—from large dry cleaners to oil refineries—that use, generate, store, or conduct activities related to hazardous materials. Additional revenues could be raised for direct site cleanup by expanding the fee-paying base to include businesses (not just corporations) and by changing the rate structure.

The lubricating oil fee—currently at 16 cents per gallon—is paid by oil manufacturers on every gallon of lubricating oil sold for use in California. Fee revenues support the California Integrated Waste Management Board's used oil recycling program. Used oil is the single largest type of hazardous waste generated in the state (about 25 percent). Since the lubricating oil fee is ultimately paid by anyone driving a vehicle in the state, an expansion of the fee to fund direct site cleanup would mean that a broad group of persons contributing to the hazardous waste problem would also be responsible for some of the costs created.

Since the department's funding requirements for direct site cleanup are expected to increase in future years, the Legislature may wish to consider these and other options as alternatives to funding from the General Fund.



OFFICE OF ENVIRONMENTAL HEALTH HAZARD ASSESSMENT (3980)

The Office of Environmental Health Hazard Assessment (OEHHA) identifies and quantifies the health risks of chemicals in the environment. It provides these assessments, along with its recommendations for pollutant standards and health and safety regulations, to the boards and departments in the California Environmental Protection Agency (Cal-EPA) and to other state and local agencies. The OEHHA also provides scientific support to environmental regulatory agencies. Of the 117 full-time staff, 59 are scientists (most with doctoral degrees) and two are physicians.

The OEHHA was established as a separate office with the creation of Cal-EPA in 1991. Most of its initial responsibilities had been carried out previously by staff at the Department of Health Services.

The budget requests \$12.2 million for support of the OEHHA in 1997-98. This is an increase of \$353,000, or 3 percent, above estimated current-year expenditures. Major budget proposals include an increase of \$835,000 to assess the health risks of contaminants in drinking water and adopt public health goals for these contaminants.

Funding Mainly From Reimbursements and General Fund. Of the proposed total expenditures, about \$6.3 million (52 percent) is from reimbursements and \$5 million (41 percent) is from the General Fund. Reimbursements come mainly from the Air Resources Board (ARB)—\$2.4 million; the Department of Toxic Substances Control (DTSC)—\$1.7 million; and fees, primarily from the registration of environmental assessors—\$1.6 million.

Issues Examined. In this writeup, we review the OEHHA's primary statutory responsibilities, and evaluate the degree to which its work duplicates that of other agencies. We consider how well the OEHHA is meeting its statutory mandates and examine the "value added" by the OEHHA. Finally, we evaluate the appropriateness of the way in which the OEHHA is currently funded.

The OEHHA's Work Does Not Duplicate Other Agencies' Risk Assessments

We find that the Office of Environmental Health Hazard Assessment (OEHHA) does not duplicate the “risk assessment” activities of other agencies. Rather, the OEHHA and these other agencies tend to each focus on different components of the risk assessment process.

In general, the OEHHA's workload consists of four types: (1) developing chemical-specific risk information that is used by agencies throughout the state, (2) acting as a peer reviewer of risk assessments conducted by other agencies, (3) providing health risk assessments of particular facilities or sites, upon request of other agencies, and (4) administering arbitration panels to assign hazardous waste site cleanup liability and registration programs established by statute. Figure 19 (see page 92) summarizes the key program activities of the OEHHA.

Most of the OEHHA's activities are required by statute. These activities are supported mainly by the General Fund and reimbursements from other departments. Using General Fund money, the OEHHA identifies cancer-causing chemicals for annual updates of the state list of chemicals required by Proposition 65, develops public health goals for contaminants in drinking water, and reviews health risk assessments of pesticides and jointly regulates pesticide worker health and safety with the Department of Pesticide Regulation (DPR).

Reimbursements from ARB are used primarily to provide (at ARB's direction) health risk assessments of potential “toxic air contaminants” and to develop guidelines for use by industry to assess risks of their emissions of toxic chemicals into the air. Reimbursements from DTSC, funded by the Hazardous Waste Control Account (HWCA), are not directly tied to statutory mandates. Rather, these reimbursements are for health risk reviews at hazardous waste sites conducted at DTSC's request, and for general scientific support to other state and local agencies.

Other Agencies Perform Risk Assessments. Other agencies in addition to the OEHHA—including other Cal-EPA departments and the Department of Health Services—perform activities assessing health risks of chemicals in the environment. However, we find that the OEHHA's work does not duplicate that of other agencies. This is because, as we discuss below, each agency focuses on particular components of risk assessment. In cases where the OEHHA gets involved in risk assessment work that is typically the responsibility of another agency, our review of interagency agreements and discussions with affected agencies indicate that there is an effort to minimize duplication by spelling out the OEHHA's responsibilities in interagency agreements.

Figure 19

**Office of Environmental Health Hazard Assessment
Key Program Activities**

Program	Description/Activities
Safe Drinking Water and Toxic Enforcement Act of 1986 (Proposition 65)	<ul style="list-style-type: none"> • Identify chemicals for annual list of chemicals known to cause cancer or reproduction-related problems. • Determine levels of exposure to listed chemicals that pose no “significant risk” to health.
Drinking Water Public Health Goals	<ul style="list-style-type: none"> • Recommend goals for maximum allowable levels of at least 75 contaminants in drinking water.
Toxic Air Contaminants	<ul style="list-style-type: none"> • Provide health risk assessments of high-risk chemicals emitted into the air.
Air Toxic “Hot Spots”	<ul style="list-style-type: none"> • Review risk assessments conducted by high-risk facilities (such as oil refineries) that emit toxic chemicals into the air.
Pesticide Risk Assessment	<ul style="list-style-type: none"> • Review the Department of Pesticide Regulation’s (DPR’s) assessment of health risks of pesticides. • Regulate jointly with the DPR pesticide worker health and safety.
Registered Environmental Assessor Program	<ul style="list-style-type: none"> • Register, on a voluntary basis (1) private assessors who review a business’ operations for compliance with hazardous substances laws and (2) private site managers at the cleanup of lower-risk contaminated hazardous waste sites.

The OEHHA Focuses on the “Chemical,” Other Agencies Focus on the “Site.” In general, the health risk of a chemical in the environment depends primarily on two factors: (1) the potency of the chemical and (2) the extent of the exposure. Currently, DPR assesses both the potency and the exposure risk of pesticides. For all other chemicals, the OEHHA focuses on the potency of chemicals and assesses adverse health effects at varying, hypothetical “doses” of a chemical. Other agencies, using monitoring data from their own programs, focus on calculating actual levels of exposure to a chemical at specific sites or facilities or in a geographic region.

For example, DTSC assesses exposure to chemicals at hazardous waste sites. This difference in focus helps to minimize duplication.

Reimbursements From Risk Managers Raise Concern

The substantial amount of reimbursements received by the Office of Environmental Health Hazard Assessment from risk management agencies raises a concern about the office's independence. We find that external and public peer review helps to mitigate this concern.

For risk assessments to be scientifically credible, they ought to be conducted independent of “risk managers”—regulators who make value judgment regarding acceptable levels of risk and reasonable control options in light of costs and benefits. As an office in Cal-EPA separate from the other boards and departments that have regulatory authority, the OEHHA is at the very least separate from the risk managers in terms of formal organizational structure. However, the fact that about 40 percent of the OEHHA’s funding consists of reimbursements from other Cal-EPA departments raises a concern as to whether this independence is maintained.

Our review finds that this concern is mitigated to the extent that the OEHHA’s work is subject to external scientific peer review conducted in a public forum. We find that roughly half of the OEHHA’s work is publicly peer reviewed, pursuant to requirements in statute or regulation. Specifically, reimbursed work related to toxic air contaminants and air toxic “hot spots” is reviewed by the statutorily created Science Review Panel. Similarly, work related to Proposition 65 is reviewed by the Science Advisory Board, established by regulation.

Work that is not peer reviewed—at least formally and publically by an established review panel—includes review of DPR’s pesticide-related risk assessments, and risk assessments of drinking water contaminants (funded mainly from the General Fund), and other reimbursed assistance provided to DTSC and other agencies.

Consistency in Assessment of Chemical Potency Has Improved

The Office of Environmental Health Hazard Assessment has centralized the assessment of the potency of chemicals, allowing for greater consistency statewide by agencies that use this information.

Pursuant to the Safe Drinking Water and Enforcement Act of 1986 (Proposition 65), the OEHHA is the lead state agency in developing and updating a state list of chemicals known to cause cancer or reproduction-related problems such as birth defects. The OEHHA has compiled a

centralized list of the potency of hundreds of chemicals. (Potency may be expressed as the risk of getting cancer from a certain level of exposure to a chemical.) This list enables Cal-EPA departments and other regulatory agencies to apply the same probability of getting cancer or other health problems from a chemical when they assess the risk of exposure to a chemical at a particular site.

This consistency did not exist in the past. For example, prior to the OEHHA becoming part of Cal-EPA in 1991, agencies involved in regulating the use of benzene were using at least seven different probabilities for the risk of getting cancer from that chemical.

Centralizing the task in the OEHHA also eliminates the need for other agencies to develop their own assessments of chemical potency, thereby reducing their workload.

Risk Assessment of Chemical Exposure Still Inconsistent

An external review found that the departments within the California Environmental Protection Agency (Cal-EPA) are inconsistent when assessing exposure to chemicals. Thus, the proposal that the Office of Environmental Health Hazard Assessment develop a unified risk model to be used by Cal-EPA departments is warranted.

One of the primary objectives for establishing the OEHHA was to develop guidelines for use by Cal-EPA departments when they assess the risk of exposure to a chemical at a particular site. The guidelines were to emphasize the importance of considering the “cumulative effects of *total* exposure from *all* pollution sources” in exposure assessments. Without these guidelines to ensure that assessments of chemical exposure are done consistently among Cal-EPA departments, the regulatory decisions that are based on these assessments will also be inconsistent among departments.

The OEHHA has yet to fulfill this role of ensuring consistency among departments in risk assessment. Specifically, an external review of risk assessment practices of departments within Cal-EPA—required by Chapter 418, Statutes of 1993 (SB 1082, Calderon)—found that exposure assessment practices vary among Cal-EPA boards and departments. In particular, exposure assessments differ in how comprehensively they account for the cumulative impacts of exposure to chemicals through all possible avenues of exposure or “media” (air, water, soil).

Budget Proposal for Multimedia Risk Assessment Model and Guidelines. The budget requests a redirection of \$487,000 (\$89,000 General Fund, \$398,000 reimbursements) for the OEHHA to develop a single, multimedia risk assessment model and guidelines to be used by Cal-EPA

departments and to provide training for their use. The office expects to complete the model and guidelines in 2002. A multimedia approach would enable regulators to account for the risks associated with exposure to a chemical in air, water, and soil.

We think the request is warranted given that it will facilitate the OEHHA meeting one of the primary objectives for which it was established. In the following section, we also discuss the appropriateness of the funding source for the proposed work.

The HWCA Inappropriately Funds the OEHHA

The Hazardous Waste Control Account fee revenues are used inappropriately to fund nonhazardous waste-related activities at the Office of Environmental Health Hazard Assessment (OEHHA). The General Fund is a more appropriate fund source for these expenditures. We recommend that reimbursements be reduced by \$1,350,000 and be replaced with a like amount from the General Fund. (Reduce reimbursements [Item 3960-001-0014, Department of Toxic Substances Control] by \$1,350,000 and increase Item 3980-001-0001 [OEHHA] by \$1,350,000.)

The budget for the OEHHA proposes \$1.7 million in reimbursements from DTSC that are funded from the HWCA. (Revenues to HWCA are from fees levied on persons that generate, transport, treat, store, or dispose of hazardous wastes.) The \$1.7 million includes:

- \$350,000 (20 percent) for direct assistance to DTSC related to hazardous waste-related sites and facilities.
- \$1,350,000 (80 percent) for the multimedia risk model development, Proposition 65 implementation, and other general assistance to state and local agencies.

Our review finds that of the \$1.7 million in HWCA-funded reimbursements, \$1,350,000 is proposed to support work that does not relate directly to hazardous waste regulation and is therefore an inappropriate expenditure from the account. We think that the General Fund is the more appropriate fund source for these activities because of their broad-based public health nature.

We also think that substituting the General Fund for a majority of HWCA-funded reimbursements will allow the OEHHA to more effectively plan its longer range workload. This is because the General Fund is a more stable funding source than the HWCA which has been a declining revenue source over the past several years.

Therefore, we recommend that reimbursements be reduced by \$1,350,000 in order to make HWCA expenditures consistent with statutory intent for expenditures from this account. We also recommend an increase of \$1,350,000 from the General Fund to replace this funding, including that provided for the development of the multimedia risk assessment model which will be used for risk assessment of all chemicals.

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FINDINGS AND RECOMMENDATIONS

Resources

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Crosscutting Issues

Resources Initiatives

1. **Overview and Assessment of the Resources Initiatives.** B-13
The Governor proposes a number of initiatives for resource conservation and management. We find that these initiatives need (a) better defined objectives and measures of accomplishment, (b) coordination with existing state programs and policies, (c) identification of long-term costs and funding sources, and (d) greater legislative oversight over policy direction.

Governor's Watershed Initiative

2. **Governor's Watershed Initiative Lacks Details. Reduce Item 3480-001-0001 by \$180,000, Reduce Item 3480-101-0001 by \$680,000, Reduce Item 3540-001-0001 by \$391,000, Reduce Item 3600-001-0001 by \$1,080,000, and Reduce Item 3600-001-0786 by \$430,000.** Recommend that funding for the watershed initiative be reduced because information is lacking to enable an evaluation of the initiative's merits. B-17

Proposition 204 Expenditures

3. **Proposition 204 Expenditures Should Be Scheduled in Budget Bill.** Recommend that all support expenditures funded by Proposition 204 bond funds be scheduled in budget bill to provide legislative oversight. Further recommend that projects to meet requirements of Central Valley Project Improvement Act also be scheduled, B-20
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and that Department of Water Resources provide project schedule prior to budget hearings.

River Parkway Program

4. **River Parkway Program Lacks Goals and Criteria to Prioritize Projects. Reduce Item 3125-301-0545 by \$1 Million, reduce Item 3640-301-0545 by \$9.3 Million, reduce Item 3760-301-0545 by \$7 Million, reduce Item 3810-301-0545 by \$5 Million.** Recommend deletion of funds for the River Parkway Program because the program's goals are not yet defined and criteria to prioritize funding of projects are lacking. Further recommend supplemental report language directing the Resources Agency to establish project selection criteria and identify priority projects for funding in 1998-99. (Also see the Department of Parks and Recreation [Item 3790] in the Capital Outlay Chapter.) B-23

Fund Conditions for Resources Programs

5. **Little Money Available in Special Funds and Park Bond Funds.** If the Legislature approves the Governor's spending proposals, there will be little money available in (a) various special funds for legislative priorities and (b) park-related bond funds to start new park projects. B-27
6. **More Bond Funds for Water Supply and Quality; Unmet Funding Need for Flood Control Projects Remains.** Bond-funded expenditures for various water supply and water quality projects will increase in 1997-98, reflecting availability of \$995 million in Proposition 204 bond funds. State's unmet share of costs for federally authorized flood control projects will total about \$107 million at the end of 1997-98. B-30

Secretary for Resources

7. **Agency Expenditures to Replace Coastal Commission Equipment Not Justified. Reduce Item 0540-001-0001 by \$500,000 and Reduce Reimbursements to Item** B-33
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3720-001-0001 by \$500,000. Recommend deletion because (a) a feasibility study report for the proposed information technology expenditures has not been approved and (b) the agency has not justified why it is the proper entity to make these expenditures. Pending further review by the Department of Information Technology, recommend instead that \$345,000 in General Funds be appropriated directly to the commission for information technology replacement and related staff support.

8. **Proposed Budget Bill Language Reduces Legislative Oversight. Delete Item 0540-401.** Recommend deletion of proposed language because the language is not justified. B-35

Department of Conservation

9. **Expansion of Mineral Classification Program Not Justified. (Reduce Item 3480-001-0035 by \$386,000.)** Recommend reduction because (a) local agencies are no longer required to use mineral classification information provided by the state and (b) the Department of Conservation could reduce the need for additional staff by better prioritizing its mineral classification workload in accordance with statutory direction. B-36
10. **Flexibility to Augment Seismic-Related Programs Diminishes Legislative Oversight. Reduce Item 3480-001-0338 by \$291,000 and Item 3480-001-0398 by \$720,000. Eliminate Provision 1 of Item 3480-001-0338 and Provision 1 of Item 3480-001-0398.** Recommend reduction because the need for requested increases has not been justified. Further recommend budget bill language allowing the Department of Finance to authorize additional expenditures by the department on the Seismic Hazard Mapping and Strong Motion Instrumentation programs be deleted because this language diminishes legislative oversight over the programs. B-38
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| 11. Reimbursements for Timber Harvest Plan Review May Not Be Available. Reduce reimbursements to conform with action under the California Department of Forestry and Fire Protection (Item 3540). | B-39 |
| 12. Expenditures of Federal Funds Disregard Section 28.00. Recommend that the department report at budget hearings on why it has disregarded the requirements of Section 28.00 of the budget act in its expenditures of federal funds in the current year. | B-39 |
| 13. Funding Proposed for Watershed Initiative. See discussion in the Crosscutting Issues section of this chapter. | B-40 |

Department of Forestry and Fire Protection

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| 14. Fire Plan Does Not Provide Resource Allocation Information. Recommend adoption of supplemental language directing the Board of Forestry to adopt appendix to 1996 fire plan to provide cost estimates for the level of fire protection to be provided to State Responsibility Areas. | B-41 |
| 15. Level of Fire Protection Varies Across Lands of Similar Types. Recommend adoption of supplemental report language requiring the California Department of Forestry and Fire Prevention (CDFFP) to report on (a) the level of protection it is currently providing to lands of the same type, and (b) steps it has taken or will take to ensure that lands of the same type receive the same level of protection. | B-43 |
| 16. Proposed Reductions Are “Penny-Wise, Pound-Foolish.” Proposed reductions in funding for fire protection and vegetation management may result in higher General Fund expenditures for emergency fire suppression and inmate custody. | B-46 |
| 17. Results Should Justify Expansion of Prefire Management Initiative. Reduce Item 3540-001-0001 by \$839,000. Recommend reduction because the depart- | B-48 |
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| ment has not demonstrated the effectiveness of the initiative to reduce costs and losses due to fires. | |
| 18. Funding Proposed for Watershed Initiative. The budget requests \$391,000 from the General Fund for the CDFFP to implement the Governor's Watershed Initiative. We discuss this proposal in the Crosscutting Issues section of this chapter. | B-49 |

Department of Fish and Game

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| 19. Expansion of Natural Community Conservation Planning Program Needs Legislative Policy Review. Reduce Reimbursements to Item 3600-001-0200 by \$1.6 Million, Reduce Item 3640-101-0262 by \$1.6 Million, Reduce Item 3640-301-0262 by \$6.4 Million, Reduce Item 3760-301-0001 by \$5 Million, and Reduce Item 3760-301-0545 by \$3 Million. Recommend reduction because the policy relating the state's role in funding land acquisition for the program ought to first be determined by the Legislature statutorily. | B-50 |
| 20. Schedule Proposition 204 Funds at Reduced Level. Add new budget item 3600-001-0405 for \$8 Million. Recommend new budget item to schedule funds to pay the state's share of costs associated with implementation of the Central Valley Project Improvement Act. | B-54 |
| 21. Some Expenditures Can Be Shifted From Fish and Game Preservation Fund to Proposition 204. Reduce Item 3600-001-0200 by \$196,000 and Increase Item 3600-001-0405 by \$196,000. Recommend \$196,000 be shifted from the FGPF-ND to Proposition 204 funds (Central Valley Project Improvement Subaccount), because this is an appropriate expenditure of Proposition 204 funds. | B-56 |
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	Analysis Page
22. Program Needed to Evaluate Delta Water Diversions. Recommend adoption of supplemental report language directing Department of Fish and Game to develop a program, in cooperation with federal agencies, to evaluate delta water diversions.	B-56
23. Striped Bass Restoration Proposal at Odds With Ecosystem Approach to Restoring Delta. Reduce the Striped Bass Stamp Dedicated Account in Item 3600-001-0200 by \$267,000. Recommend reduction because proposal for stocking striped bass is inconsistent with department's goal of restoring the delta ecosystem.	B-58
24. Some Dedicated Funds Can Be Used More Flexibly. Create new Item 3600-012-0200 for Transfer of Funds From the Striped Bass Stamp Dedicated Account, FGPF, to the FGPF-ND. Recommend adoption of budget bill language requiring that funds remaining in reserve in the Striped Bass Stamp Dedicated Account, FGPF, at the end of 1997-98 be transferred to the nondedicated account of the FGPF—if legislation reestablishing the dedicated account is not enacted—as this will increase the Legislature's flexibility in appropriating the funds.	B-59
25. Dedicated Account Should Support Upland Game Bird Program Expansion. Shift \$1,028,000 in Item 3600-001-0200 From the Fish and Game Preservation Fund-Nondedicated to the Upland Game Bird Heritage Dedicated Account in the Fish and Game Preservation Fund (FGPF). Recommend upland game bird restoration be funded from the appropriate dedicated account of the FGPF, as adequate funds are available in that account.	B-60
26. Federal Funds Are Overbudgeted. Reduce Item 3600-001-0890 by \$4.2 Million. Recommend reduction because these federal funds are unlikely to materialize given the department's history of overestimation.	B-60

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| 27. Funding Proposed for Watershed Initiative. The budget requests \$1.5 million from the General Fund for DFG to implement the Governor's watershed initiative. We discuss this proposal in the Crosscutting Issues section of this chapter. | B-61 |

Wildlife Conservation Board

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| 28. Delete Funding for Unspecified Capital Outlay Projects. Delete Item 3640-301-0140 and Item 3640-301-0235. Recommend that \$760,000 from the Environmental License Plate Fund (ELPF) and \$936,000 from the Public Resources Account for capital outlay be denied because there is no information justifying the proposed expenditures. | B-62 |
| 29. Natural Community Conservation Planning Program Needs Legislative Policy Review. Reduce Item 3640-101-0262 by \$1.6 Million, Eliminate Provision 2 of Item 3640-101-0262, Reduce Item 3640-301-0262 by \$6.4 Million, and Eliminate Provision 2(a) of Item 3640-301-0262. Recommend reductions because the policy of state funding for land acquisition for the Natural Community Conservation Planning program ought first to be determined statutorily. | B-63 |
| 30. Funding for Habitat Conservation Plan Implementation Also Needs Legislative Direction. Reduce Item 3640-301-0262 by \$1 Million and Eliminate Provision 2(h) of Item 3640-301-0262. Recommend deletion because the state's role in funding such plans ought first to be determined by the Legislature on a policy level. | B-63 |
| 31. Underfunding of the Habitat Conservation Fund (HCF) Will Cause Deficiency in ELPF. (Increase transfer from the Waterfowl Habitat Preservation Account to the HCF in Item 3640-011-0211 by \$2 million.) Recommend transfer of \$2 million from the Waterfowl Habitat Preservation Account to the Habitat Conservation | B-64 |

Fund (HCF) because the budget underfunds the HCF which would result in a deficit in the ELPF.

California Coastal Commission

32. **Study on Coastal Access Can Be Completed In-House.** B-66
Recommend that \$100,000 from the General Fund requested by the commission to contract for development of a coastal public access implementation plan be used instead to support commission staff who are qualified to perform this work.
33. **Agency Expenditures to Replace Coastal Commission Equipment Not Justified. Reduce Reimbursements to Item 3720-001-0001 by \$500,000.** B-67
Recommend deletion because (a) a feasibility study report for the proposed expenditures has not been approved, and (b) the agency has not justified why it is the proper entity to make these expenditures. Pending review by the Department of Information Technology, recommend instead that \$345,000 in General Funds be appropriated to the commission for information technology. See discussion under the Secretary for Resources (Item 0540).

State Coastal Conservancy

34. **Wetlands Mitigation Bank Proposal Needs Better Definition. Reduce Item 3760-001-0001 by \$170,000 and reduce Item 3760-301-0001 by \$6,089,000.** B-68
Recommend request for wetlands restoration be reduced because (a) details of how the mitigation banks would operate are undefined and (b) developers should pay for the projects.
35. **Expansion of Natural Community Conservation Planning Program Need Legislative Policy Review. Reduce Item 3760-301-0001 by \$5 million and reduce Item 3760-301-0545 by \$3 million.** B-70
Recommend deletion because the policy of the state's funding land acquisition for the Natural Community Conservation Planning

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| (NCCP) program ought first to be determined statutorily. We discuss the NCCP program under the Department of Fish and Game (Item 3600). | |
| 36. River Parkway Program Lacks Coordinated Goals. Delete Item 3760-301-0545 for \$7 million. Recommend deletion because the program lacks coordinated goals and criteria to determine project priorities. We discuss the River Parkway Program in the Crosscutting Issues section of this chapter. | B-70 |

Department of Parks and Recreation

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| 37. Department Faces Revenue Shortfall in Current Year. The State Parks and Recreation Fund (SPRF) faces a potential deficit in the current year. Recommend that the department report at budget hearings on its expenditure priorities, its plans for generating additional revenue, and how it proposes to balance the SPRF. | B-72 |
| 38. State Park System Faces Significant Long-Term Challenges. Recommend adoption of supplemental report language requiring the department to report to the Legislature on (a) its long-term plan for addressing the backlog of deferred maintenance, (b) the lists of units which the department proposes to sell, convert, and privatize, and (c) its plan for adequately funding support of the remaining units. | B-73 |
| 39. Use of Bond Funds for Support Staff Is Not Justified. Delete Item 3790-001-0722 for \$2,417,000. Recommend reduction because Department of Parks and Recreation has not justified the use of 1984 park bond funds for general department support. | B-75 |
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California Integrated Waste Management Board

40. **No Room for Error in Integrated Waste Management Account.** Recommend the board establish a reasonable reserve for the budget year and advise the Legislature on actions it intends to take to accomplish the reserve. B-76
41. **Increase in Tire Recycling Program Not Justified. Reduce Item 3910-001-0226 by \$5.4 million.** Recommend reduction because request lacks justification. B-78
42. **Late Board Decisions Reduce Legislative Oversight and Slow Program Implementation.** Recommend adoption of supplemental report language directing the board to submit a plan to allocate tire recycling funds as part of its future budget requests. B-79

State Water Resources Control Board

43. **Coastal "Initiative" Is Really Coastal "Catch Up."** Governor's "coastal initiative" mainly addresses serious delays of the board in meeting existing requirements. B-81
44. **Unexpended Tank Cleanup Fund Appropriations Raise Concern.** Recommend board report at budget hearings on steps it can take to speed up payment of claims and minimize unexpended appropriations. B-83

Department of Toxic Substances Control

45. **Railroad Accident Prevention and Immediate Deployment Fee Should Be Reinstated.** Recommend that Legislature enact legislation to reinstate a "polluter pays" fee to provide appropriate funding for the Railroad Accident Prevention and Immediate Deployment program. B-85
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| 46. Expenditures for Direct Site Cleanup Will Increase in Future. Funding requirements for direct site cleanup will increase in future. Legislature may wish to consider funding alternatives to supplement the General Fund. | B-87 |

**Office of Environmental
Health Hazard Assessment**

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| 47. No Duplication in Risk Assessment Activities. There is no duplication between the Office of Environmental Health Hazard Assessment's (OEHHA's) and other agencies' risk assessment activities. | B-91 |
| 48. Reimbursements From Risk Managers Raise Concern. External peer review helps to mitigate concerns about reduced independence due to substantial reimbursements from risk managers. | B-93 |
| 49. Consistency in Assessment of Chemical Potency Has Improved. The OEHHA has promoted statewide consistency in determining potency of chemicals. | B-93 |
| 50. Risk Assessment of Chemical Exposure Still Inconsistent. Recommend approval of development of multimedia risk model for the California Environmental Protection Agency departments in order to address inconsistency in exposure assessments. | B-94 |
| 51. Hazardous Waste Control Account Inappropriate Funding Source. Reduce reimbursements and Item 3960-001-0014 by \$1,350,000 and increase 3980-001-0001 by like amount. Recommend fund shift to correct inappropriate funding of activities from Hazardous Waste Control Account. | B-95 |
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