

2004-05 Budget Overview: Resources and Environmental Protection

LEGISLATIVE ANALYST'S OFFICE

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Hon. Byron Sher, Chair





Resources Agency Organization

- The Resources Agency consists of a number of departments, commissions, conservancies, and other agencies:**

Departments:

- Department of Conservation
- Department of Forestry and Fire Protection
- Department of Fish and Game
- Department of Parks and Recreation
- Department of Water Resources
- Department of Boating and Waterways

Commissions:

- State Lands Commission; California Coastal Commission; San Francisco Bay Conservation and Development Commission; Delta Protection Commission; Energy Resources Conservation and Development Commission.

Conservancies:

- California Tahoe Conservancy; State Coastal Conservancy; Santa Monica Mountains Conservancy; San Joaquin River Conservancy; Coachella Valley Mountains Conservancy; San Gabriel and Lower Los Angeles Rivers and Mountains Conservancy; Baldwin Hills Conservancy; San Diego River Conservancy.

Other Agencies and Boards:

- California Conservation Corps; Special Resources Program (Tahoe Regional Planning Agency and Sea Grant); Colorado River Board; State Reclamation Board; Wildlife Conservation Board; California Bay-Delta Authority.



Resources Agency— Proposed Expenditures

- Total 2004-05 proposed expenditures for Resources Agency departments are \$2.9 billion,^a with funding as follows:**

• Selected bond funds	\$125 million	(4 percent)
• Federal funds	\$160 million	(6 percent)
• General Fund	\$939 million	(32 percent)
• Other funds (special funds)	<u>\$1.7 billion</u>	(58 percent)
	\$2.9 billion	

^a Does not include expenditures for (1) DWR's energy purchases on behalf of the investor owned utilities or (2) the off-budget State Water Project.

- Resources budgets represent a very small portion of the total state budget:**

- Proposed General Fund expenditures for resources programs represent about 1.2 percent of the total state General Fund budget.
- Proposed total expenditures for resources programs represent about 1.9 percent of the total state budget (all funds).

- Proposed 2004-05 expenditures are about \$3.2 billion (52 percent) below 2003-04 estimated expenditures. This largely reflects:**

- The Governor's decision to defer the submittal of most of his resources bond expenditure proposals to later in the spring. (In recent years, bond funds have been a major source of funding for resources programs.)



Resources Agency— Proposed Expenditures

(Continued)

- A \$95 million decrease in estimated General Fund expenditures for emergency fire suppression. (The Governor's budget continues to provide \$70 million General Fund as a "baseline" amount for emergency fire suppression, as in recent years. The budget act gives the Director of Finance the authority to increase this amount on an as-needed basis. The 2003-04 fire year turned out to be a relatively high fire year.)



To create General Fund savings, the Governor's budget proposes some shifting of funding from the General Fund to either fee-based special funds or reimbursements. These proposals include:

- An \$18 million increase in state park fees, \$15 million of which creates General Fund savings.
- A \$3.4 million increase in reimbursements from state departments for building and life safety code enforcement by the Office of the State Fire Marshal.



Significant proposed program reductions include:

- A \$12.8 million reduction in General Fund support for the California Conservation Corps. This will result in the closure of six residential and nonresidential centers and the elimination of corpsmember health benefits.
- Suspension of the Natural Heritage Preservation Tax Credit, for an estimated General Fund savings of \$8.7 million in the current year and \$10.3 million in the budget year.



Resources Agency— Proposed Expenditures

(Continued)



Significant proposed augmentations include:

- \$10 million in the current and budget years to backfill a General Fund reduction in the *2003-04 Budget Act* in the timber harvest review program. (The *2003-04 Budget Act* assumed that the General Fund would be replaced by new timber harvest fee revenues; however, the fee legislation was not enacted last session.) For the budget year, the budget proposes that the \$10 million come from fees.
- A \$16.1 million transfer from the General Fund to the Colorado River Management Account for the lining of the All-American Canal.



Resources Agency— Funding Mix and Expenditure Trends



As shown in the figure below, Resources Agency expenditures began to increase substantially in 2000-01 with the influx of new bond funds. General Fund expenditures began to decrease significantly in 2003-04, largely reflecting a shifting of funding for certain activities from the General Fund to fee-based special funds or bond funds.

Resources Agency: 12-Year Funding Mix and Expenditure Trends									
<i>(Dollars in Millions)</i>									
	<u>General Fund</u>		<u>Special Funds</u>		<u>Bond Funds</u>		<u>Federal Funds</u>		<u>Total Funds</u>
	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent	
1993-94	\$592	38%	\$746	48%	\$156	10%	\$65	4%	\$1,559
1994-95	734	44	729	44	90	6	99	6	1,652
1995-96	812	49	745	45	36	2	65	4	1,658
1996-97	771	45	782	46	94	5	63	4	1,710
1997-98	717	42	839	49	91	5	75	4	1,722
1998-99	1,105	53	840	40	56	3	76	4	2,077
1999-00	1,184	52	937	41	54	3	97	4	2,272
2000-01	2,110	54	1,050	27	655	16	118	3	3,933
2001-02	1,382	39	1,058	30	963	28	116	3	3,519
2002-03	1,147	33	1,079	32	1,113	32	109	3	3,448
2003-04	985	16	1,492	25	3,368	55	254	4	6,099
2004-05	939	32	1,685	58	124	4	160	6	2,908



California Environmental Protection Agency (Cal-EPA)— Organization and Proposed Expenditures

The Secretary for Environmental Protection oversees six boards and departments:

- Air Resources Board
- California Integrated Waste Management Board
- Department of Pesticide Regulation
- Department of Toxic Substances Control
- Office of Environmental Health Hazard Assessment
- State Water Resources Control Board

Total 2004-05 proposed expenditures for Cal-EPA departments are about \$1 billion, with funding as follows:

Bonds	\$11 million	1 percent
General Fund	\$70 million	7 percent
Federal funds	\$162 million	16 percent
Other funds (mainly regulatory fees)	<u>\$764 million</u>	<u>76 percent</u>
	\$1 billion	

Environmental protection budgets represent a very small portion of the total state budget:

- Proposed General Fund expenditures for environmental protection programs represent less than one-tenth of 1 percent of the total state General Fund budget.
- Proposed total expenditures for environmental protection programs represent less than 1 percent of the total state budget (all funds).



Cal-EPA— Proposed Expenditures

- Proposed 2004-05 expenditures are about \$662 million (40 percent) below 2003-04 estimated expenditures.** As with Resources Agency departments, most of this decrease reflects the Governor's decision to defer the submittal of most of his resources bond expenditure proposals to later in the spring.

- The Governor's budget proposes some shifting of funding from the General Fund to fee-based special funds. These proposals include:**
 - A \$3 million funding shift to fees in the State Water Resources Control Board's water quality program.
 - A \$2.6 million funding shift to fees on stationary sources of air pollution.
 - A \$1.4 million funding shift to fees in the Department of Toxic Substances Control.

- Significant proposed program reductions include:**
 - A \$2.3 million (General Fund) reduction for various water quality programs.

- Significant proposed program augmentations include:**
 - \$52.3 million (special funds) for the new electronic waste recycling program in the California Integrated Waste Management Board.



Cal-EPA— Funding Mix and Expenditure Trends

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 As shown in the figure below, over the last 12 years, special funds have consistently provided the largest share of funding for environmental protection programs. There was a major spike in General Fund expenditures in 2000-01 and 2001-02, mainly reflecting one-time expenditures. In recent years, total expenditures have increased significantly, mainly due to new bond funds becoming available. In addition, a significant amount of funding has been shifted from the General Fund to fee-based special funds.

Cal-EPA: 12-Year Funding Mix and Expenditure Trends									
<i>(Dollars in Millions)</i>									
	<u>General Fund</u>		<u>Special Funds</u>		<u>Bond Funds</u>		<u>Federal Funds</u>		Total Funds
	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent	
1993-94	\$75	10%	\$465	62%	\$64	8%	\$149	20%	\$753
1994-95	80	11	432	58	58	8	170	23	740
1995-96	84	11	454	58	34	4	213	27	785
1996-97	90	12	447	62	26	4	156	22	719
1997-98	105	13	528	64	34	4	154	19	821
1998-99	175	20	452	52	42	5	196	23	865
1999-00	166	19	549	61	36	4	142	16	893
2000-01	479	39	485	40	61	5	198	16	1,223
2001-02	407	27	608	41	309	21	173	11	1,497
2002-03	170	16	612	58	92	9	173	17	1,047
2003-04	91	5	714	43	703	42	161	10	1,669
2004-05	70	7	764	76	11	1	162	16	1,007



Resources Bond Fund Conditions

- As shown in the figure below, the budget proposes expenditures of about \$107 million from five resources bonds approved by the voters between 1996 and 2002, leaving a balance of about \$3 billion in the bond funds for expenditure in future years. (Modest expenditures are proposed from pre-1996 bonds which are essentially depleted.)

Resources Bond Fund Conditions^a By Bond Measure				
<i>2004-05 (In Millions)</i>				
	Total Authorization In Bond	Resources Available	Proposed Expenditures	Balances
Proposition 204 ^b	\$995	\$74	\$3	\$71
Proposition 12 ^c	2,100	35	19	16
Proposition 13 ^d	1,970	760	31	729
Proposition 40 ^e	2,600	302	19	283
Proposition 50 ^f	3,440	1,977	35	1,942
Totals	\$11,105	\$3,148	\$107	\$3,041

^a Based on the 2004-05 Governor's Budget.
^b Safe, Clean, Reliable Water Supply Fund, 1996.
^c Safe Neighborhood Parks, Clean Water, Clean Air, and Coastal Protection Bond Fund, 2000.
^d Safe Drinking Water, Clean Water, Watershed Protection, and Flood Protection Fund, 2000.
^e California Clean Water, Clean Air, Safe Neighborhood Parks, and Coastal Protection Fund, 2002.
^f Water Security, Clean Drinking Water, Coastal and Beach Protection Fund, 2002.



Resources Bond Fund Conditions *(Continued)*

- The figure below shows the Governor's expenditure proposal from the five resources bonds, by programmatic area. As shown in the figure, bond funds for park projects will be largely depleted at the end of the budget year.

Resources Bond Fund Conditions^a By Programmatic Area			
<i>2004-05 (In Millions)</i>			
	Resources	Expenditures	Balances
Parks and Recreation	\$144	\$31	\$113
State parks	(59)	(24)	(35)
Local parks	(83)	(5)	(78)
Historical and cultural resources	(2)	(2)	(—)
Water quality	772	26	746
Water management	756	7	749
Land acquisition and restoration	908	30	878
CALFED Bay-Delta Program	568	13	555
Air quality	—	—	—
Totals	\$3,148	\$107	\$3,041

^a Based on Governor's budget; includes Propositions 204, 12, 13, 40, and 50.



LAO's Major Budget Issues

- Deferred Submittal of Bond Proposals**
 - Will the Governor's proposals reflect legislative priorities?
- CALFED at a Funding Crossroads**
 - The CALFED Bay-Delta Program faces a substantial projected funding gap. We propose a funding framework to apply the "beneficiary pays" principle to this program.
- Opportunities for Additional General Fund Savings**
 - We offer a number of opportunities to create General Fund savings by shifting funding from the General Fund to fees.
- State Can Be More Strategic in Its Flood Management Investments**
 - We recommend increasing the state's efforts to improve floodplain management, using some of the future-year savings generated by reducing the state's share of costs for federally authorized flood control projects.
- Exploring Increased Contracting Out for Delivery of State Services**
 - We recommend a pilot program to evaluate expanding public-private partnering activities in state parks.