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2008-09 Budget Overview: Resources Agency Departments

LEGISLATIVE ANALYST'S OFFICE

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Assembly Budget Subcommittee No. 3 on Resources

Hon. Ira Ruskin, Chair





Resources Agency— Proposed Expenditures

- Total 2008-09 proposed expenditures for Resources Agency departments are \$5.9 billion,^a with funding as follows:**

• Special funds	\$2.3 billion	39%
• Selected bond funds	\$1.7 billion	30%
• General Fund	\$1.7 billion	28%
• Federal funds	<u>\$160 million</u>	3%
	\$5.9 billion	

^a Does not include expenditures for (1) Department of Water Resources' 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 1.6 percent of the total state General Fund budget.
 - Proposed total expenditures for resources programs represent about 3 percent of the total state budget (all funds).

- Proposed 2008-09 expenditures are about \$1.7 billion (22 percent) below 2007-08 estimated expenditures.** This mainly reflects a \$1.3 billion reduction in bond expenditures. The \$207 million reduction in special fund expenditures largely reflects a decrease in renewable energy incentive payments due to statutory changes in program operations. Finally, the \$148 million reduction in General Fund expenditures reflects (1) \$45 million of budget-balancing program reductions, (2) a proposal to shift funding for \$45 million of wildland firefighting activities from the General Fund to a proposed surcharge on insurance policies statewide, and (3) the elimination of a number of one-time expenditures for water and flood-related capital projects that occurred in the current year.



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. The influx of the 2006 resources bonds has kept the total Resources Agency budget at an all-time high in the current and budget years. General Fund expenditures peaked in 2000-01 (mainly reflecting substantial one-time expenditures), declined in 2001-02 through 2004-05 due to the state's weakened fiscal condition, ticked up in 2005-06 and 2006-07, and have declined in subsequent years. In recent years, there has also been 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>									
	General Fund		Special Funds		Bond Funds		Federal Funds		Total Funds
	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent	
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	950	23	1,385	34	1,601	39	153	4	4,089
2004-05	1,031	28	1,534	42	1,006	27	107	3	3,678
2005-06	1,477	40	1,518	42	557	15	99	3	3,651
2006-07	1,971	46	1,608	38	604	14	99	2	4,282
2007-08	1,804	24	2,525	33	2,992	40	219	3	7,540
2008-09	1,656	28	2,318	39	1,733	30	160	3	5,867



Resources Agency— General Fund Expenditure History

- ☑ Escalating costs for wildland fire protection have been the primary General Fund cost driver in Resources Agency budgets over the last five years.
 - The California Department of Forestry and Fire Protection (CalFire) General Fund fire protection budget increased by over \$350 million between 2002-03 and 2007-08. This is a function of both increasing fire suppression workload and increasing employee compensation.

- ☑ For the Department of Water Resources (DWR), over the last five years, there have been some significant new General Fund expenditures (namely the \$428 million, ten-year, financing of the *Paterno* lawsuit settlement) and increased General Fund support for flood planning and operations, while at the same time support for local assistance has shifted from the General Fund to bond funds.



Pre-2006 Resources Bond Fund Conditions

- As shown in the figure below, after accounting for the budget's proposed expenditures from the five resources bonds approved by the voters between 1996 and 2002, a balance of just over \$200 million in these bond funds will remain available for expenditure in future years.

Resources Bond Fund Conditions		
<i>(In Millions)</i>		
	Total Authorization in Bond^a	Balance Available^b
Proposition 204 ^c	\$870	\$48
Proposition 12 ^d	2,100	15
Proposition 13 ^e	2,095	127
Proposition 40 ^f	2,600	14
Proposition 50 ^g	3,440	27
Totals	\$11,105	\$231

^a \$125 million was transferred from Proposition 204 to Proposition 13 accounts.
^b Amount available after accounting for prior and proposed appropriations through 2008-09.
^c Safe, Clean, Reliable Water Supply Fund, 1996.
^d Safe Neighborhood Parks, Clean Water, Clean Air, and Coastal Protection Bond Fund, 2000.
^e Safe Drinking Water, Clean Water, Watershed Protection, and Flood Protection Fund, 2000.
^f California Clean Water, Clean Air, Safe Neighborhood Parks, and Coastal Protection Fund, 2002.
^g Water Security, Clean Drinking Water, Coastal and Beach Protection Fund, 2002.



Pre-2006 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 and land conservation will be essentially depleted at the end of the budget year.

Resources Bond Fund Conditions^a By Programmatic Area		
<i>(In Millions)</i>		
	Total Authorization In Bonds	Balance Available (July 1, 2009)
Parks and Recreation	\$2,746	\$9
State Parks	(694)	(7)
Local Parks	(1,812)	(3)
Historical and Cultural Resources	(240)	(-1)
Water Quality	1,942	54
Water Management	1,888	28
Land Acquisitions and Restoration	2,793	2
CALFED/Delta-Related	1,686	137
Air Quality	50	—
Totals	\$11,105	\$231

^a Includes Propositions 204, 12, 13, 40, and 50.



Governor's Budget Proposal: Proposition 84 Bond Funds

- The budget proposes a total of about \$1.2 billion in expenditures from Proposition 84 bond funds in 2008-09, as shown in the figure below:

Governor's Budget Proposed Expenditures Proposition 84	
<i>(In Millions)</i>	
	2008-09
Water Quality	
Integrated regional water management	\$350
Safe drinking water	41
Delta and agriculture water quality	8
Protection of Rivers, Lakes, and Streams	
Regional conservancies	\$74
Other projects	72
Delta and coastal fisheries restoration	39
San Joaquin River	16
Colorado River	11
Stormwater pollution prevention	45
Flood Control	
State flood control projects	\$12
Delta flood control projects	124
Local flood control subventions	74
Floodplain mapping	—
Sustainable Communities and Climate Change Reduction	
Local and regional parks	\$1
Urban greening	11
Incentives for conservation planning	—
Protection of Beaches, Bays, and Coastal Waters	
Coastal areas and watersheds	\$92
Clean Beaches Program	50
Ocean Protection Trust Fund	54
Parks and Natural Education Facilities	
State park system	\$58
Nature education and research facilities	—
Forest and Wildlife Conservation	
Wildlife habitat protection	\$25
Forest conservation	—
Protection of ranches, farms, and oak woodlands	—
Statewide Water Planning	
Future planning	\$16
Total	\$1,173



Governor's Budget Proposal: Proposition 1E Bond Funds

- The budget proposes \$461 million in expenditures from Proposition 1E bond funds in 2008-09, as shown in the figure below:

Governor's Budget Proposed Expenditures Proposition 1E—Flood Control	
<i>(In Millions)</i>	
	2008-09
State Central Valley flood control; Delta levees	\$319
Flood control subventions	—
Stormwater flood management	102
Flood protection corridors and bypasses; floodplain mapping	40
Total	\$461



Resources Agency— Major Budget Changes



Major proposed General Fund budget-balancing reductions include:

- -\$44.7 million in CalFire, to be offset by a proposed 1.25 percent surcharge on fire insurance policies statewide.
- -\$13.3 million for state parks
- -\$8.4 million in the Department of Fish and Game across various program areas, including the elimination of 38 game warden positions.
- -\$8 million in CalFire, involving reductions in the Office of the State Fire Marshal, natural resources management, and administration (not offset by an alternative funding source).
- -\$7.3 million in DWR mostly for flood management activities; partially offset with bond funds.
- -\$3.8 million in the California Conservation Corps, requiring the elimination of 75 corpsmember positions.



Resources Agency— Major Budget Changes

(Continued)



Other major budget changes include:

- +\$1.1 billion (bond funds) in DWR for flood control investments (\$598 million) and integrated regional water management (\$452 million).
- +\$100.9 million (special funds) in the Energy Commission for alternative and renewable fuel and vehicle technology incentives.
- +\$49 million (bond funds) in the Department of Fish and Game for restoration of the Bay-Delta ecosystem, the Salton Sea, the San Joaquin River, and coastal fisheries.
- +\$45.6 million (mostly special funds) in the Department of Parks and Recreation for local assistance grants.
- +\$33.1 million in CalFire for the Governor's Wildland Fire-fighting Initiative, funded from a proposed surcharge or fire insurance policies statewide.



LAO's Major Budget Issues— Resources Programs



Recommend Alternative to Governor's Proposed Insurance Surcharge to Pay for Wildland Firefighting

- The Governor's proposed surcharge on commercial and residential insurance policies statewide to partially pay for wildland firefighting should be rejected in favor of a fee on property owners in "state responsibility areas" because these individuals directly benefit from the state's firefighting services.



Delta Planning Efforts Chart a Different Course for CALFED's Future

- Various Delta-related planning efforts, including Delta Vision, have made recommendations that, if adopted, will fundamentally change the future approach of the CALFED Bay-Delta Program. We recommend denial of some CALFED budget proposals on the basis that, contrary to recommendations of the planning efforts, they either lack clear objectives and funding priorities, do not apply the beneficiary pays funding principle, or do not meet the information needs of policy makers.



LAO's Major Budget Issues— Resources Programs

(Continued)



Avoiding Program Cuts and/or Creating General Fund Savings With Fees

- The budget proposes a number of General Fund (GF) budget-balancing reductions (BBRs), including closing 48 state parks, that can be avoided by shifting program funding to fees. We have also identified several other opportunities to create GF savings through fees, freeing up the GF for other legislative priorities. Our fee proposals include:
 - State parks—\$25 million in increased user fees, to backfill BBRs and provide \$11.7 million more for park maintenance.
 - Coastal development permitting—allow Coastal Commission to spend the \$2.5 million of regulatory fee/penalty revenues that it collects, to backfill BBRs and create an additional \$1 million in GF savings.
 - Timber harvest plan review—\$23.1 million in new regulatory fees, to backfill BBRs and create additional GF savings (\$21.2 million).
 - Fish and Game—\$6.7 million in new and increased regulatory fees, to backfill BBRs and create additional GF savings (\$4.6 million).
 - Flood management—\$40 million in new benefit assessment fees, to create GF savings of a like amount.